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**ESTABLISHED 1887** 

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25/88

PARIS. WEDNESDAY, JUNE 22, 1988

A 'Party'

**Permitted** 

In Estonia

Non-Communist

**Peoples Front** 

**Backs Reforms** 

By Bill Keller

New York Times Service MOSCOW - Authorities in the

republic of Estonia, in an important precedent for other regions of the Soviet Union, have permitted

the creation of the first large-scale political group outside the Com-

According to Estonian press ac-counts and interviews, the new

Peoples Front of Estonia has mush-

roomed to 40,000 members in less

et leader; with calls for greater po-

litical and economic independence for Estonia.

Last Friday, the front demon-

strated its popular appeal by gathering more than 100,000 people,

including the second-ranking Com-munist Party official in Estonia, for

an emotional rally on the festival grounds in Tallinn, the Estonian

Organizers say they plan to pominate candidates for local and

changes in the law and to promote

What has happened in Estonia

appears to be a trial run for the

création of similar fronts that

Communist Party leaders may

also hope that they can use such

fronts to assert a degree of control

over nationalist sentiments that

have presented a challenge to Mos-

cow in the Baltic republics, in Soviet Central Asia, and recently in the

Caucasus Mountain republics of

Organizers of the Peoples Front

say they intend to maintain their

independence by banning Commu-

nist Party and government officials

political and economic change.

published earlier this month in the

newspaper Sovetskava Estoniva.

said participation is open to any-one who supports Mr. Gorbachev's

The agenda of the Peoples Front, ties.

munist Party apparatus.

Armenia and Azerbaijan.

onmist Party.



#### **Dutch Win 2-1 to Gain European Soccer Final**

crowded flight paths.

Eke Immel, West Germany's goalkeeper, stopped a shot by Marco van Basten of the Netherlands early in Tuesday's European soccer championship semifinal match. But the Dutch, with van Basten scoring in the final minute of the second half, won 2-1. In Saturday's finals, they will play the winner of Wednesday's match between the Soviet Union and Italy. Sports, Page 21.

### ATA Seeks Military Airspace

Civil Aviation Organization.

resentatives from 13 countries

By Warren Getler LONDON — Faced with grow-

congestion in air corridors over estern Europe, the International - Transport Association and civil iation authorities are urging that litary airspace be opened to

The Geneva-based association d Toesday that it was unsung ser cooperation between miliy and civilian air traffic control- civilian and military air traffic reps Britain and Denmark already ve an integrated military and ciian air traffic control system.

arged as a result of deregulation,

**Palestinians** 

ion Organization, fought with

the forces of Sayed Musa, their Syrian-backed Palestinian ri-

Braineh refugee camps.

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Man o Your Core Cap At July

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vals Tuesday over control of

Beirut's Chatilla and Burj al-

Police said 12 people were cilled and 45 wounded. The

asualties raised the known

ioli since fighting crupted 12

jays ago to 46 killed and 188

The Italian Communists

elected Achille Occhetto of

the party's left wing as their

Haiti's new ruler has nothing

American officials say. Page 3.

to fear from the United States,

Mediterranean antiquities are

becoming fashionable in the

auction market. Page 12.

Two investor groups an-

nounced a truce in their tug-

of-war over Belgium's Societé

Luxembourg's role as an off-

shore financial center faces the

challenge of 1992. Pages 7-11.

Dow Close In New York

DM 1.7553 Pound 1.7895

25.24 Yen 126.425

Pound 1.7895

Page 13.

Business/Finance

General News

/Arts/Leisure

Générale.

Special Report

As air travel in Europe has Kiosk

expected a 7 percent increase in the number of commercial aircraft landings and departures this year in Western Europe, to 3.5 million from 3.3 million in 1987. The figures include flights in France, West Germany, Britain, Ireland, Bel-Clash in Beirut gium, Luxembourg, the Netherlands, Portugal, Switzerland and His Campaign Fund Is More Than Double His Rival's BEIRUT (AP) - Guerrillas nacking Yasser Arafat, chair-nan of the Palestine Libera-

Austria. The association said the volume would jump to 3.7 million next year, 3.87 million in 1990 and more than four million in 1991.

John Brindley, an association spokesman, said, "It is quite clear that there are areas of the sky reserved for the military which are not being used half of the time."

"If the military were to allow us to use their undenstilized airspace during quiet periods such as weekends." he said, "the airlines would make corresponding adjustments to meet the military's needs."

Mr. Brindley said airlines were being forced to curtail operations because of overcrowded skies, leading to long delays on the ground.

"Flights to the United States from West Germany are having to be re-routed along the North Sea and across the top of Scotland," he said, "instead of taking their normal route across London and parts

Other problems for the airlines include flying at less-than-optimal cruising altitudes - above or below the normal 30,000 feet (9,100 percent to 39 percent.)

delays and congestion have become meters) - and flying at slower increasingly troublesome as con- speeds. trollers struggle to find slots on

done in fairly short order to alleviate the situation," Mr. Brindley The association's recommendations followed an emergency meet-

"As civilian airspace is handled ing last week in Paris on air-traffic management in Europe. The meet- on a national basis," he said "it will ing was held under the auspices of be up to national military air traffic the United Nations International control authorities to work more closely" with civilian air control The Paris meeting, attended by systems. He said the association did not see it as an issue requiring

urged "states to reinforce civil-mili- Treaty Organization. A NATO spokesman in Brussels tary cooperation" and explore ibilities for obtaining a more said he had no immediate comflexible utilization of available air- ment.

Mr. Brindley said the chief focus The International Air Traffic of concern was the military air-Association said Tuesday that it space over West Germany, France See AIR, Page 2

See ESTONIA, Page 2

They're Banking on Dukakis

demands, analysts in the region say program of perestroika, or reducing they believe that Washington is has allowed the United States to rigidity in the Soviet system, and

now facing up to the possibility maintain bases in the Philippines that U.S. forces may have to leave will expire in 1991. U.S. and Philip-

from holding leadership positions. the Philippines would be dispersed

Most of the front's key leaders are to other parts of Asia and the West-

Communist Party members who ern Pacific. The functions include



the Philippines in the next few pine panels reviewing the agree-

Washington concluded that the military presence in the Philip-

forces and installations in the Philippines to other parts of East Asia and the Western Pacific without a that the United States should pay

major loss of military effectiveness as much as \$2.3 billion a year for

in Manila

President Ronald Reagan and Secretary of State George P. Shultz at the summit session on Tuesday in Toronto. Beyond them, from left, Sir Geoffrey Howe, Margaret Thatcher and Nigel Lawson. rates, a further decline of the dolnational elections, to lobby for

Although disclosure of the con- the bases could be split up and

tingency planning is clearly intend-ed to persuade Manila to lower its Australia, Guam and Micronesia.

would serve as a pro-Gorbachev lobby against the entrenched Communist Party apparatus.

Its Bases in the Philippines

By Michael Richardson

SINGAPORE - The United

States has begun detailed studies

on relocation of military bases in

the Philippines because of concern

that Manila is attaching unaccept-

able conditions to their future use.

Under plans being drawn up by the U.S. Pacific Command in Ha-

waii, the functions of the bases in

and intelligence-gathering activi-

U.S. officials say.

are considered strong advocates of naval, air, communication, logistic or prohibitive costs.

U.S. Weighs Plans to Relocate

scattering the facilities will be the

way the problem is handled," said

Nordin Sopiee, director general of

the Institute of Strategic and Inter-

A study recently published in

United States could redeploy its

Council on Foreign Relations, said

A longstanding agreement that

national Studies in Malaysia.

### Canada Summit **Renews Call for** A Stable Dollar

By Reginald Dale

TORONTO — The major industrialized nations concluded on Tuesday their annual economic meeting with a commitment to hold the dollar to roughly its current level and with an optimistic assessment of the world

But in tacit recognition of the still-fragile state of financial markets, the seven countries added a warning against complacency and said that further cooperative efforts were needed to sustain noninfla-

At the end of three days of unusually harmonious discussions. the seven also agreed to a compromise formula glossing over their differences on agriculture, which was the most divisive issue on the

In their final communique, the United States, Japan, West Germany, France, Britain, Italy and Canada repeated a call for currency stability that was first issued in a bid to halt the dollar's slide last

The communiqué said: "Either excessive fluctuation of exchange

ment resumed discussions Tuesday

George P. Shultz, the U.S. secre-

tary of state, told a congressional

committee in Washington last week

that the United States was "having

an argument" with Manila on

terms for a continued American

the bases, compared to a commit-

ment of \$180 million a year under

Mr. Shultz also described as un-

acceptable a bill, approved by the

Philippine Senate on June 6, that

would bar nuclear-armed ships and

aircraft from the Philippines.

extent that becomes destabilizing to the adjustment process could be counterproductive by damaging growth prospects in the world

The wording allows slightly greater latitude for the dollar to rise than to fall, although the precise upper limits for the currency have not been spelled out, according to officials in Toronto. With the dollar now rising,

"there is no trigger mechanism at this point" to arrest an upward move, conference officials said. But they pointed out that the dollar had now risen by 12 to 13

percent against the Deutsche mark since Jan. 1, and said that if it rose much further the seven countries might have to "concert their posi-

The expectation is that any such move would be called by Germany or Japan. The officials said that so far, however, neither country has indicated that the dollar's rise was excessive.

The repetition of last December's wording was a deliberate signal to the markets that the seven were determined to maintain exchange rates at approximately cur-rent levels, the officials said.

For that reason, the seven countries had rejected an earlier draft suggesting that only large changes in exchange rates were undesirable and small fluctuations could be tolcrated.

The United States failed in a renewed effort to persuade the European Community to agree to work towards the complete elimination of farm subsidies, as President Ronald Reagan has proposed.

The EC delegation adamantly resisted U.S. attempts to secure such a commitment from the summit nations, arguing that it was an "illusion" to suppose that subsidies could be totally abolished.

In response to U.S. pressure however, the EC agreed to tackle the problem with greater political urgency in the Uruguay round of international trade negotiations in the months ahead.

The United States also work a commodity price index to the list of indicators used by the seven countries to analyze international economic trends.

The summit meeting members also made what officials described as "excellent progress" in narrow-

If a friendly country banned ships that might be carrying nucle-ing their differences on debt relief ar weapons, he said, "then we have for the poorest developing counto part company" because the tries, one of the meeting's prime See SUMMIT, Page 2

See BASES, Page 2

### **Shrinking Middle Class** Climbs a Notch in U.S.

By Spencer Rich

Washington Post Service
WASHINGTON — America's middle class has been shrinking since 1969, but mainly because more families have moved into the upper class, according to an economic study by the government's Bureau of Labor Statistics.
The authors, Michael W. Horri-

gan and Steven E. Haugen, said the widespread view that the middle class, as defined economically, is shriveling "is correct. However, unlike some studies, this one finds that most of the decline in the proportion of families in the middle has gone to the upper class, not the

For years, economists have been arguing about whether the middle class, the rock upon which Ameri-

partment's Monthly Labor Review, Mr. Horrigan and Mr. Haugen used several methods of analysis and concluded that the proportion of families in the middle class is smaller today than in 1969, with most of those jumping into the up-One method of analysis was

based on the assumption that middle-class families were those whose income from all sources in 1986 was between \$20,000 and \$55,999. measured in 1986 dollars. Based on this method and using

the CPI-U-X1 price index, a special formula used for research, the study found that the middle class declined from 58.8 percent of families in 1969 to 53 percent in 1986.

The lower class also declined over the same period, from 33.7 percent to 31.7 percent, the authors found, but they said certain addi-

See CLASS, Page 2

#### By Richard L. Berke New York Times Service fiam R. Sweeney Jr., a Democratic consultant, concluded that Mr. WASHINGTON - Governor Bush "spent his nominating campaign funds early in the process without a contingency or reserve, which leaves him virtually bank-Vice President George Bush. As of June 1, the Dukakis campaign had \$3.6 million to spend rupt for the weeks prior to the Republican convention." Mr. Sweeney's report added that tion that opens July 18, according

Michael S. Dukakis enters the nominating convention and general election phase of the campaign with far more money to spend than

through the Democratic convento campaign finance reports made available by officials Monday. By contrast, the Bush campaign reported that it had \$1.7 million to spend through its convention. which opens a month later.

This financial edge gives the Massachusetts governor a significant political advantage over Mr. Bush, according to Republican and Democratic consultants. Mr. Dukakis will have more money for campaigning and the convention.

[Mr. Dukakis also continued to

lead Mr. Bush in the latest Washington Post poll. The poll gave Mr. Dukakis a lead among voters of 51

the Bush campaign showed "mis-management of a budget."

The campaigns are allowed to spend up to \$23 million through the conventions, plus \$4.6 million for fund raising and accounting costs. After their nominations, each candidate receives \$46.1 million in federal funds for the general election The federal government will spend \$9.2 million in each nominating convention in overall costs. But the campaigns pay for their staffs, lodging, transportation and other

costs at the conventions.

In a study of the campaigns' fi-paign swings into California was nances made public last week, Wil-cut from four days to two. Robert A. Mosbacher Sr., the

Bush campaign's finance chairman, defended the campaign's budget-ary practices, and maintained that the campaign had not been forced to make unanticipated budget cuts. He said he phoned Mr. Bush several days ago and reassured

him: "Do not worry. You've got plenty of travel money. There's nothing about the Bush budget that I see that's out of kilter."

From Washington, David S. Broder and Richard Morin of The Washington Post reported:

Despite a slight improvement in the public's optimism about the economy and the trend of affairs, Vice President Bush continues to trail Mr. Dukakis in the latest Washington Post poll.

ple, one of the vice president's cam- new poll shows almost no shift



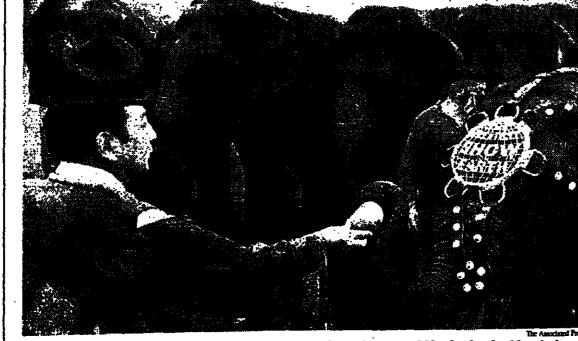
Michael S. Dukakis

from the 53-to-40 percent lead Mr. Dukakis enjoyed in late May. The survey indicated that voters feel they know much more about

can social institutions are built, has Because of limited funds, the Bush campaign has taken numershows Mr. Dukakis leads Mr. Bush than about Mr. Dukakis, been shrinking, remaining constant whose supporters acknowledge a or growing—and, if shrinking, our austerity measures. For example, one of the vice president's campolity of their man.

Mr. Bush than about Mr. Dukakis, been shrinking, remaining constant whose supporters acknowledge a or growing—and, if shrinking, remaining constant whose supporters acknowledge a or growing—and, if shrinking, remaining constant whose supporters acknowledge a or growing—and, if shrinking, remaining constant whose supporters acknowledge a or growing—into the lower class.

little stretch and some water. So it is "Japan is a market that I view the same as America," said the Ringling Washington Post Service
TOKYO — The greatest show on producer, Kenneth Feld. There are 122 million people. They are extremely wealthy and they are now cutting back



In Tokyo, a Shinto priest offers an orange to a young elephant after a ritual blessing for the 16 pachyderms.

### The Greatest Smell on Earth

By Margaret Shapiro

earth, Ringling Brothers and Barnum & Bailey Circus, is coming to town, and the fastidious Japanese are more than a little anxious about the odors that might accompany it. .

But not to worry. An enterprising Japanese chemical company has been working overtime trying to develop a new biotechnology that will minimize the smells of what those animals produce 30 cubic yards of daily. And Ringling is bringing its own cucalyptus oil, as an extra stink-eradicator.

Drawn by the lure of Japan's high yen, Ringling Bros. is making its first foray outside of the Americas since playing Shanghai once in the mid-1930s. In recent months the same attraction has drawn a number of other American institutions, including the Metropolitan Opera, the world heavyweight boxing championship and Michael Jackson, to name a few.

to a five-day work week. So leisure is going to do well." But, as others have discovered, the Japanese have their own ways of doing things.

For instance, when the elephants arrived from the United States by boat last week, a Shinto priest in full regalia was on hand to greet them, intoning blessings as they were unloaded. "It was real weird," said one circus mem-

Although no circus the size of Ringling Bros. has ever toured Japan, the Japanese have regulations to cover the situation, much as they have rules for almost everything. The circus had to abandon its idea of traveling in trucks after being told that Japanese laws would require it to stop every two hours to take the 16 elephants out for a

traveling by ferry instead. A parade through downtown, a

highlight of circus visits to many locales, is still on hold after police panicked over the prospect of traffic congestion, pedestrian confusion and animal droppings on Tokyo's posh Ginza area. Ringling officials, who began arriv-

ing earlier this month in preparation for the circus's July 1 opening, said the three-month run in Japan has posed logistical difficulties as well, which initially made them leery about bringing the circus to Japan.

Most significantly, the cost of putting the lavish three-ring event on in Japan is nearly prohibitive. The Japan Educational Corp., the circus's Japanese promoter, estimates it will cost \$49 million to put on this year's show. Several of Japan's yen-rich companies have agreed to pick up the price tag as

See CIRCUS, Page 2

### Reagan and Takeshita Sign an Agreement on **Scientific Cooperation**

By John Burgess

TORONTO - President Ronald Reagan and Prime Minister on Monday a long-delayed agreement on scientific cooperation, coloning another troubled area in U.S.-Japan relations.

The signing ceremony came only hours after U.S. and Japanese negotiators settled a protracted dis-pute over trade in beef and citrus products and was new evidence of a smoother course in relations between the two economic superpow-

Mr. Reagan noted that the two countries had a long history of sci-entific cooperation. "When we look to the future," he said, "it is clear that science and technology will grow even more important to our mutual well-being."

Mr. Takeshita pointed out that research conducted under the agreement is meant to be generally available. "It is open to be shared by all the world," he said.

In recent years, Japan has achieved leadership in many technical fields pioneered by U.S. researchers, giving rise to complaints by Americans that the United States is giving away technology on a grand scale and getting very little from it in return. Japan denies there is an imbal-

ance in intergovernmental research, the area addressed by Mon-day's accord, but contends that the United States could train people better to participate in Japanese research and put to better use the expertise of those Americans who do work and study in Japan.

The accord, which replaces a simpler one signed in 1980 when U.S.-Japan competition in technology was at a less-feverish pitch, will apply to joint government work in such fields as superconductivity, manufacturing technology, life sciences, and information systems. Its main points include:

 Access by Japanese and American scientists to each other's pub-

licly funded research projects.

The United States contends that while government-funded research in the United States is done predominantly in open universities, in Japan it tends to go on behind closed doors at private companies. This will open those doors, it says. without discrimination.

(Continued from page 1)

economic and political objectives.

Treasury secretary, said the com-

munique "went farther on debt

than any summit communique

The communiqué said the seven

leaders had reached a consensus on

a list of options that could be cho-

Official creditors could "choose

among concessional interest rates

partial write-offs of debt service

obligations during the consolida-

tion period, or a combination of

these options," the communique

Mr. Baker said the agreement

represented "a rather significant

change" in the U.S. position, in

that Washington had only recently

been prepared to consider stretch-

EC officials, however, said that it

The communique said the Paris

Club of Western creditor nations

"by the end of this year at the very

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other summit meeting countries.

ing out debt maturities.

that's ever been written."

Africa.

James A. Baker 3d, the U.S.

 Public dissemination of the re-search as a guiding principle of the accord, but specification of those circumstances in which property Noboru Takeshita of Japan signed rights would exist for discoveries made in joint research programs and of who would hold those rights. Strengthening the protec-tion of U.S. "intellectual property" such as computer-chip designs and scientific formulas has been a maior objective of the Reagan admin-

> No disclosure to other parties of any discoveries that have military applications. For all other findings, however, it provides for general dissemination.

The agreement is aimed at civilian research and notes that no classified military information will be used in conducting the research, a point sought by the Japanese. Paci-list sentiments run deep in Japan, and any hint of new military cooperation with the United States gen-

erates controversy.
U.S. officials at the summit meeting also welcomed the agree-ment on beef and citrus products negotiated in Tokyo. It provides for Japan to end import quotas on those commodities by 1991, although it will be able to maintain high tariffs on them in the following years. President Ronald Reagan, in a statement read in Toronto by the White House spokesman, Marlin Fitzwater, called the accord 'most welcome."

We made tough choices in order to open these markets," the statement said. "This important achievement strengthens the U.S.-Japan relationship and demonstrates our mutual commitment to

an open trading system."

Meanwhile Canada, another major beef exporter, cautiously welcomed the pact, saying its terms needed to be studied. Canada sees Japan "as an important potential market for Canadian exports," a senior Canadian official said.

Clercq, the EC's commissioner for external relations, said: "Whenever the U.S. and Japan make an agreement we are always very cautious, because there is always a chance of selective nondiscrimination."

Japan has said the agreement will apply to all trading partners



AT STONEHENGE, THE LONGEST DAY -- As modern-day Druids marked the midsummer solstice at sunrise Tuesday at Stonehenge, a few hangers-on eluded the police to climb atop the Heel Stone to watch the rite. About 70 persons were arrested after violent clashes with police.

### The European Community also responded with caution. Willy de Clerro the ECs commissioner for 4 Accused in Bofors Smuggling Case

STOCKHOLM — Four former signed and leaked details to the customs inquiries. The four are a fors AB, a Swedish ordnance firm, were charged on Tuesday with smuggling millions of dollars worth

said sufficient evidence had been gathered after a four-year investiation to bring smuggling charges. No trial date was set.

erate, has been mired in smuggling

'Party' Formed

ess reports and members of polit-

none have yet succeeded.

Last month, Tatiana L. Zaslavs-

kaya, a sociologist who is regarded as an influential consultant to Mr.

Gorbachev on economic and social

problems, called for the creation of

vernment and party bureaucrats.

Estonia has often been in the

forefront of economic and political

experimentation. The republic's 1.5

million people have the highest per

capita income in the country and

have embraced Mr. Gorbachev's

calls for private enterprise and

The republic's nationalistic feel-

ings have been stirred by nostalgia for the period from 1918 to 1940,

when Estonia was independent,

and by resentment of Russian

Repeated flare-ups of Estonian discontent are believed to have

been one factor in the replacement

last week of the longtime Estonian Communist Party leader, Karl G.

Vaino. He was replaced by Vaino I. Vyalyas, a diplomat who is said to

have been Mr. Gorbachev's choice.

The former party leader, who is expected to take a job in Moscow

supervising production of consum-

er goods, was not considered an

active supporter of the Peoples

Front. The strongest encouragement within the party, Estonian journalists said, came from Indrek

K. Toome, the Estonian Commu-

nist Party official in charge of ide-

many party officials are nervous

Mr. Raid said the front has en-

Agence France-Presse

LAUSANNE, Switzerland -

who disavows "Stalinist, conservative viewpoints."

in France, starting on Bastille Day, have sprung up in many cities, but

#### **CIRCUS:** was still not clear that the United States was prepared to shoulder as much of the debt relief burden as The Greatest

should work out precise details of the operation, ensuring that all countries made comparable efforts, phants, 16 horses, eight ponies, 17 The seven nations took care to is not easy in such a small, densely emphasize that similar relief could populated country as Japan. JEC not be expected by middle-income countries, such as the major Latin

American debtors. For these countries, they said, "the market-oriented, growth-led strategy based on the case-by-case approach remains the only viable approach." Turning to the so-called "structural reforms" that have been one of the summit meeting's major a country where cheap movie seats themes, the seven pledged to con-

sary controls and regulations" from their economies.

They said they would work to increase competition, "while mitigating adverse effects on social groups or regions," remove disincentives to work, save and invest, and improve education and train-"Since we last met," the communiqué said, "our economies have kept up the momentum of growth.

Employment has continued to ex-Kazuhiko Morioka, head of JEC, phone interview on Monday that pand, inflation has been restrained. and progress has been made toward the correction of major external imbalances. "These encouraging developments are cause for optimism, but not for complacency. To sustain noninflationary growth will require

Though a "very American show" try and agriculture. He said the a commitment to enhanced cooper-UNIVERSITY DEGREE

> nese eating habits, the circus will supplement its usual fare of cotton the Swiss Alps killed 163 people in at Subic Bay could be transferred posted in other Western countries candy and buttered popcorn with "obento," a Japanese style box lunch that features cold rice, fish, pickled vegetables and seaweed.

SUMMIT: Agreement on Dollar

ation. This is the key to credibility and confidence." Congratulating themselves on said that "developments in the wake of the financial strains last October demonstrate the effectiveness and resilience of the arrange-

ments that emerged." They added, however, that efforts must continue to reduce budsen by creditor countries in rescheduling debts of the poorest naget deficits and "large external imhalances.'

The communiqué said, "We reaffirm our determination to follow and, wherever feasible, strengthen on shorter maturities, longer repay-ment periods at commercial rates, efforts to reduce the growth of spending in countries with large external deficits and to sustain the sustain momentum of domestic demand in and Yaroslavl and in the republic those with large external surplus- of Lithuania, according to Soviet

> Next year's summit is to be held ical clubs. Unofficial political clubs July 14, the 200th anniversary of the French revolution.

(Continued from page 1)

sponsors. Finding a place to hold a three-ring circus and house the elelions, three camels, two liamas, and an alleged unicorn, among others, finally commissioned a 7,000-seat tent. In fact, this will be the first time for Ringling under a tent since 1956, officials said.

Tickets will bear distinctly Japanese price tags: the equivalent of \$40 for the most expensive adult tickets and \$30 for children, more than double the U.S. charge. But, in cost \$12, circus officials expect to tinue "removing barriers, unneces- pack them in.

Feeding the animals has posed problems. Hay for the elephants must be imported from the United States because Japan does not produce it in large enough quantities. However, only small shipments can be brought in at one time because the hay, if stored too long, will mildew in Japan's hot, muggy summer weather. The lions, on the other hand, eat only meat and the horsemeat they need must be imported from Australia.

ology.

Andres Raid, a reporter for the Estonian television, said in a telesaid he has no doubt that all the logistical problems can be worked because the Peoples Front has emout and that the circus will be a hit braced popular Estonian causes. with the Japanese, who have never been exposed to a massive three-dorsed economic independence ring circus, its glitter and constant that would effectively sever Moscow's control over Estonian indus-

is planned, some changes will be front also supports making Estomade to suit Japanese tastes - and nian the official language of the noses. Mr. Morioka said the ani- republic. mals will be washed a lot, especially at the circus's first stop in Hokkaido, where it will be playing as part 163 Died in Swiss Alps in '87 of the Sapporo Food Festival.

Finally, to accommodate Japa-

Mr. Ljungwall said the men had been charged with smuggling more than 300 laser-controlled Robot 70 of arms to blacklisted countries. anti-aircraft missiles, valued at Folke Ljungwall, the prosecutor, about 100 million kronor (\$16.5 million), to customers in Dubai and

Bahrain during 1979 and 1980. The four directors are Claes-Ulrik Winberg and Martin Ardbo, of the Swedish government "It is good that a decision has at former managing directors, Len-last been made to prosecute after a nart Palsson, former sales chief, "It is good that a decision has at

Bofors, a subsidiary of the Nobel Industries AB industrial conglom-

their success in coordinating economic policies, the seven countries Inguar Carlsson said.

Total Taisson former export and Hans Ekblom, former export director.

allegations since a technician re- ber 1985, because of police and The four are accused of using Singapore, an approved recipient of Swedish weapons, as a middle-

man in the illegal exports to the Middle East. Mr. Ardbo and Mr. Winberg have admitted that they exported weapons to Dubai and Bahrain, but deny that it was smuggling. They said they had the full support

A public inquiry concluded last month that there had been no government involvement. But it said both Social Democratic and center-Mr. Winberg was forced to re-right governments had lanked consign as chairman of the Swedish trol and were guilible in their con-Employers' Federation in Novem- tacts with Bofors.

### Riots Kill 6 In Burma **And Curfew** Is Ordered

Compiled by Our Staff From Disputches RANGOON, Burma - The government imposed a curfew on Tuesday in Rangoon after at least six persons were killed in street battles between thousands of pro-

testers and riot policemen. The government radio said that the restrictions would last until Aug. 19. The curfew runs from 6 P.M. 10 6 A.M.

Witnesses said thousands of students and other protesters battled police after authorities closed a Rangoon university where students had been staging peaceful anti-gov-ernment rallies.

Before the school was closed, students had vowed to demonstrate until the government accounted for hundreds of students detained following riots in March. The students also demanded democracy, eco-nomic reform and the right to establish a student union.

The government broadcast said that five policemen were killed and 26 others injured "as a result of an attack by an unruly mob armed with swords, sticks and catapults. A member of the mob also was killed and several others wound-

"Since these violent acts disrupt public tranquility and cause public disorder," it continued, "the Rangoon Division Peoples Council deemed it necessary to impose a curfew and ban public meetings and demonstrations within the Rangoon municipal area."

The broadcast said the protesters set fire to one police station and the family quarters of another. They damaged government buildings and traffic lights, it said.

The government announced Monday that classes at Rangoon Arts and Science University, its affiliated colleges and the Institute of Economics were to be suspended after an upsurge of student protests against the 25-year-old rule of Ne

Another government radio broadcast on Tuesday announced the suspension of classes, effective Wednesday, at the Institute of Medicine and the Institute of Dental Science, where students have also staged peaceful anti-government rallies.

Throughout last week, students held protests and put up posters that demanded the legalization of student unions and the release of students who had been detained in the earlier protests.

Several days of student unrest at Rangoon universities ended on March 18 with anti-government riots that police and military units rapidly crushed. (AP, Reuters)

### AIR: Military Is Asked to Help Out is part of the Azerbaijani Republic. Last week, the Azerbaijani parliament rejected Nagorno-Karabe, appeal. But the Armenian parliament voted to support it. On Tue ithe Soviet Foreign Ministry denied reports that there had been deat. (Continued from Page 1)

and Northern Italy. "One only has to look at a map to see the extent of traffic over these areas," he said. Rupert Scholz, the West German defense minister, is expected to hold talks soon with the transport

minister. Jürgen Warnke, on the issue of greater use of West German military airspace by civilian

### BASES: U.S. Studying Its Options

(Continued from page 1) United States has a worldwide policy of neither confirming nor de-nying the presence of nuclear arms

ESTONIA Tartu

RAPE LATINA

POLAND

popular fronts as a counterforce to on its naval vessels. The Philippine bases help counter Soviet military power in the Far East and maintain a bal-

ance of forces in the area. The Philippine installations also support U.S. forces operating around Japan and in Indian Ocean and the Gulf. Admiral Rouald J. Hays, the U.S. commander in chief in the

Pacific, recently said that he had formed a team at his Hawaii headquarters to study alternatives to the Philippine bases.
"The result of that study group

is not quite as difficult as we had anticipated prior to getting into some of the details." in the July issue of Pacific Defense rates."

were not indispensable, as some days away.
Filipinos believed. Nor would

Washington go to any extreme to retain access to the bases, he said. He said there were alternatives to Clark Air Base and the Subic Bay naval complex, the two main bases used by the United States. These alternatives, he added, "were not as

are concerned that any relocation Hungarian extraction who was acwill impair the ability of American forces to act in a crisis, thus undermining the credibility of U.S. military deterrence. Analysts in the region said relo-

being sharply cut back. They said that as a first step, ship spying.

1987, 30 fewer than in 1986 and 63 to U.S. military facilities at Yoko- were reportedly also expelled as a fewer than in 1985, private Swiss suka in Japan and at Pearl Harbor result of the investigation into the insurance companies said here in Hawaii.

port wings at Clark Air Base could be moved to Guam, the said.

the Northern Marianas, and in Pa-established. lan, which are linked to the United

locations were 1,500 to 2,000 miles from Southeast Asia and the South months. China Sea than the Philippines, it reach patrol areas,

"Even with extensive aerial tanker tary airspace to civil aviation. thus far," he said, "has been that it support, land-based tactical air power could only operate in the heart of the region with reduced combat loads, shorter times on sta-In an interview to be published tion and with much lower sortie

Based at Palau, aircraft carriers Reporter magazine, Admiral Hays
asserted that "the Filipinos have and other surface vessels would be engaged in far too much American an additional day's sailing from the tional calculations suggested that heart of Southeast Asia, he said, the proportion in the lower class He said the Philippine bases and vessels at Guam would be two

#### Canada Expels 8 Soviet Envoys

desirable by any means, but there are alternatives."

Some officials of non-Communist governments in Southeast Asia

Newfoundland of a Canadian of of U.S. bases from the Philippines cused of spying for Moscow, Radio Canada reported Tuesday. The report said six of the diplo-

mats were working at the Soviet Consulate in Montreal while the other two worked at the Soviet Emcation would cost the United States bassy in Ottawa. Their reported exat least several-billion dollars in pulsion was linked to the arrest of additional defense construction Stephen Ratkai, a 25-year-old Caand operating costs at a time when nadian who was found in posses-American military spending was sion of U.S. military secrets and was charged on Wednesday with

Accidents to climbers or skiers in repair and maintenance carried out Eight other Soviet diplomats Ratkai case conducted by Canadi-The tactical fighter and trans- an intelligence officials.

spokesman said. ■ EC Acts on Air Safety

Transport ministers of the 12nation European Economic Community have adopted emergency safety before the summer travel rush, The Associated Press reported from Luxembourg.
Officials said Tuesday that the

ministers agreed to set up a "red alert" telephone link between Europe's five busiest airports: London, Frankfurt, Paris, Rome and Madrid. In addition, a crisis center coor-

Analysts said that additional na-dinating all West European air val and air bases could be con-structed on Saipan and Tinian in est weekends of the summer is to be The ministers were told during

States by treaties. their meeting Monday that several potentially serious air mishaps locations were 1,500 to 2,000 miles were narrowly averted in Britam, (2,400 to 3,200 kilometers) farther Spain and Greece over the past few The ministers also considered a

would take U.S. forces longer to recommendation that called for linking the data banks in all of Ross Babbage, a senior research Europe's air control centers, har-fellow at the Strategic and Defense monizing computers and radars Studies Center in Canberra, said: and opening more of Europe's mili-

#### **CLASS:** Thinner Middle

(Continued from page 1)

was essentially unchanged. However, they said, the share of families in the upper class, defined as families with an annual income of \$56,000 or more, jumped from 7.5 percent to 15.3 percent.

The authors said the figures indicated that the lower class was getting a smaller share of national income than in the past. "The share of aggregate income indicates a growing disparity between the lower class and the rest" of American families, the authors said.

They said this finding was consistent with other studies that showed an increase in income inequality over the past two decades. The Census Bureau has reported that in 1969, the one-lifth of all

families at the bottom of the income ladder received 5.6 percent of all cash income, while the upper fifth received 40.6 percent. By 1986, the bottom group had dropped to 4.6 percent and the top fifth had risen to 43.7 percent.

> INTERNATIONAL MANAGER BY SHERRY BUCHANAN.

IN THE IHT EVERY THURSDAY, ESSENTIAL READING FOR EXECUTIVES WORKING IN THE INTERNATIONAL MARKETPLACE

WORLD BRIEFS

20,000 Yugoslavs Rally for Detainee

LIUBLIANA, Yugoslavia (Reuters) — More than 20,000 peopacked city streets on Tuesday to listen to rock bands and poetry techning a show of support for three Slovenians held by the army.

Meanwhile, in Maribor, more than 4,000 auto workers went on sections and protested low waters at a cally after the section of th Tuesday and protested low wages at a rally after marching to the civ

official youth leaders at the Ljubljana rally called for greater freedo democracy and human rights and curbs on army power. Their speed were a sign of support for Ivan Jansa. a youth activist; David Tasic editor of Slovenia's official youth magazine Mladina, and Ivan Borsa an army sergeant-major. They were detained on suspicion of leaf

### Canadian Explosion Kills 6 Soldiers

CHILLIWACK, British Columbia (AP) — Six soldiers learning enginess handling were killed and three injured at a Canadian base at plastic explosives detonated prematurely,

The five men and a woman, all military engineering student, we preparing to blast a crater 5 yards (4.5 meters) deep on Monday we more than 60 pounds (27 kilograms) of plastic explosives detoned military authorities said. Base Chilliwack is about 60 miles (about 1) kilometers) east of Vancouver.

Three other second-year officer training cadets were injured in blast, which occurred on the third day of a four-day training session, " do not know at this time what was the cause of the explosion," said administrator of the base, Lieutenant Colonel Graham Meharg. "I will be a matter for summary and formal investigations."

### At Funeral, Shamir Vows to Fight (1

GIVAT ADA. Israel (Reuters) — Prime Minister Yitzhak She vowed on Tuesday at the funeral of a murdered Israeli farmer that k would defeat their Arab foes if forced to fight to the end. Police stood guard to maintain order at the state funeral of Sin Cohen, 30, who was stabbed and beaten to death on the Shekef Most collective farm, a few hundred meters from an Arab West Bank village southern Israel. The Israeli Army blamed the killing on Palestinians is the Israeli-occupied village. Mr. Cohen was the fourth Israeli killed in

six-month-old Palestinian uprising. Mr. Shamir told 1,000 mourners at the funeral; "He was murden immoral people who symbolize all that is low and cruel in man I comes to the dilemma of them or us, our answer is clear, it is us."

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### Mujahidin Claims Iranian Casualtic

BAGHDAD (Reuters) — The main Iranian opposition group, Main din Khalq, said on Tuesday its fighters killed or wounded 8,000 Iran troops when they seized the Iranian border town of Mehran on the con

front in the Iran-Iraq war.

The Baghdad-based organization also said that 1,500 Iranians, incl. ing more than 20 officers, were taken prisoner. The mujahidin's Natie Liberation Army attacked Mehran on Sunday in its biggest offen since it was formed two years ago.

Iran accused Iraq of launching the attack and of using chem

weapons. Baghdad denied both claims.

25 Die in Sikh Bombings in Amrita

AMRITSAR, India (Reuters) - Two bombs killed 25 people njured at least 60 in a crowded Hindu market street near the Go. Temple, the holiest Sikh shrine, in the north Indian city of Amrita

The police blamed the attack on Sikh militants fighting for an indedent homeland in the state of Punjab. Angry crowds gathered at the s after the blasts, pelting police with stones, witnesses said. They sai least six Sikhs were beaten up.

The bombings were the latest in a series of recent Sikh separ attacks. On Monday night, six persons were killed and 15 wounded v a bomb was thrown and shots were fired at a crowd leaving a ciner the small town of Pehowa in the neighboring state of Haryana.

### **Enclave Repeats Call to Join Armen**

MOSCOW (Reuters) - The regional council of the Nagomo-R bakh Autonomous Region repeated on Tuesday its call for incorpora into the neighboring Armenian Republic as thousands demonstrate back the demand.

The council voted to reaffirm its decision in February to call unification with Armenia, an employee at a local newspaper in regional capital of Stepanakert said in a telephone interview. The regional

aircraft, a Defense Ministry renewed violence over the weekend between Azerbaijanis and Armer near the Armenian capital of Yerevan.

### TRAVEL UPDATE

### measures aimed at improving air Italy Refuses to Abide by EC Ruling

ROME (AP) — Italy has refused to comply with a European Connity Commission ruling in its airline deregulation dispute with Lingus.

The commission said on June 2 that the Irish carrier was entitle

pick up passengers at a stop in Manchester on its Dublin-Milan f under new EC airline rules that took effect this year. The decision Italy 15 days in which to comply but on Monday, Italy's Civil Avis Authority said it would ground any Aer Lingus planes carrying p≇ gers to Manchester on flights between Milan and Dublin.

The Italian airline Alitalia canceled most of its flights for Wedne after pilots called a 24-hour strike. Greek air traffic controllers called off a four-hour work stop planned for Tuesday after a judge ruled that the strike was illegal. (A
The French domestic airline Air Inter said 60 percent of its fil
would operate normally Wednesday despite a two-day strike calle
unions representing pilots and flight engineers. (A-

### 2 South Africa Soldier Captured by Botswana

By William Claiborne

na's security forces captured two white South African Army commandos on Tuesday, hours after a South African commandos! shoot-out in which three Bots- staged numerous border raid wanan policemen were wounded. Botswana to attack suspected h Shortly afterward, a car bomb exploded in Gaborone, the country's guerrillas. But this was the capital, according to the office of President Quett K.J. Masire.

part of a commando unit sent by A statement issued by Mr. Pretoria to mount a raid in Gabo-sire's office condemned Mond They identified the two men as

ties in Gaborone said they were ment said. being interrogated. Twelve hours after the clash a carrying six unarmed policems spokesman for the South African a routine patrol was fired upon

dos had attacked Gaborone. However, two hours later, in re- cally, authorities said. sponse to repeated questions, the Mr. Masire's statement said army said that a patrol, "which was two South African whites gathering information in Botswa- drove away from the shooting na," was involved in a shooting arrested later by Botswanan A incident with the Botswanan po- troops at a roadblock.

The army headquarters in Pre- about 6 A.M. a car exploded toria said that when Botswanan po- Gaborone suburb, damaging lice fired on the patrol, the South house of a local contractor bu return their fire."

The army spokesman added that South Africa will not hesitate to explicitly link it to the same raise. act in the most effective way encountered last night.

Washington Past Service acts of terror against this count JOHANNESBURG — Botswa. He refused to comment on the acts of terror against this count

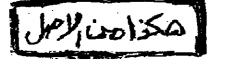
time they were captured.

In the last three years, at leas Botswanan authorities said the people, mostly Botswanan nat South Africans in custody were als, have been killed in such 12 attack as "yet another South A can attempt on the lives of inno Corporal Johannes Basson, 25, and Batswana, We once more con Corporal Theodore Hermanhen, those acts of terrorism by the S 30, both of Johannesburg Authori- African government," the s

Botswanan authorities said Army command refused to confirm group of South Africans alternative of the two 10.30 Monday night, five # South Africans, or that comman- south of the capital. Three of policemen were wounded, one

The president's office said the African soldiers were "forced to sulting in no injuries. The st ment blamed the bombing





#### INTERNATIONAL HERALD TRIBUNE, WEDNESDAY, JUNE 22, 1988

WORLD BRIDGE.S. Officials Described no Yugaslav Rally logis Resigned to Namphy eizure of Haiti Power

> By David Ottaway Washington Past Service

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# Week :: 1

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ASHINGTON — The Reagan imistration, stung by the failure s efforts to oust Panama's milistrongman, Manuel Antonio iar manner for the removation intenant. General Henri Manhy, who seized power in Hailman on Monday, according iega, has no plans to press in a 'IS officials

diservers said there was a noble feeling of resignation ang U.S. officials about the pt end to just four months of y civilian rule in Haiti. There also a keen sense of the admintion's limited ability to do anyg now to promote democracy laiti, given the failure of the long diplomatic and economic long dipioniane and longitude to squeeze General Nor-

out of power in random in the lamb of the had limited leverage in lama, we have even more limitwerage in Haiti," an administration of the had limited leverage in Haiti, an administration of the had limited leverage in Haiti, an administration of the had limited leverage in Haiti, an administration of the had limited leverage in Haiti, an administration of the had limited leverage in lamb of the had limited leverage in la re one - watch, wait and eval-

> he State Department spokeshan, Phyllis Oakley, said Tues-that the United States would inne to work for a transition to ocratic rule in Haiti but gave ndication that the administrahas any specific steps in mind about how to press for that

HILLI RILLIAN (Stine was not contemplating at kin diplomatic relations with new military government over moval of the elected president, ie F. Manigat, and gave no hint : ... is considering any economic or T sanctions to pressure General iphy into a return to civilian

... te United States by November already cut off all aid but \$36 on in humanitarian assistance He in Sill Born lings in a bid to force General aphy to hold free and fair elec-

> ... Ir. Manigat emerged as presi-, with just 50.3 percent of the in elections held in January the United States said "do not al the fulfillment of a demoic transition.

-- is. Oakley also indicated the ted States was ready to work that there were "examples of ly governments around the the st life in the life ( . till to Joill to with whom we have relations . have dealines."

**TOPICS** 

**Vhy Civilians Fight** 

The Civil War Anew

ivil War battles began is open

;) dispute, the novelist Rita Mae

imes, but they took their elabo-

ite present-day form with the

00th anniversary re-creation of

ne First Battle of Bull Run, nown in the South as First Ma-

These days, reenactments are

nuval events at battlefields

mging from Gettysburg, Penn-/Ivania, to Vicksburg, Missis-

ppi. The civilian volunteers doing part "may not be subject

actual bullets, but like their

acestors they must push on

brough clouds of sulfurous

noke and risk being trampled y horses untrained as cavalry

counts and crazed by the noise,"

— suthor notes, "Infantrymen

scover that, even if they think bey know where they are going.

You are practically blind, ex-msted, raked with thirst and,

en if the other side isn't trying

Just when reenactments of

assas, in 1961.

Town writes in The New York

sey know where they are going, a dammed difficult when you m't see two yards in front of our face. A continued artillery arrage envelopes people in lating dangerously, is suffocated.

comparisons between U.S. policy toward Panama and Haiti now, despite the similar problems the administration faces in the two countries. Both have a strong military ruler who refuses to yield power to civilian rule and widespread drug smuggling by high-level officers.

Asked why the United States was willing to take such strong action against General Noriega but unwilling to do the same against Gen-eral Namphy, Ms. Oakley replied, "I think it is extremely difficult to draw comparisons or analogies beLos Angeles Street Gangs Spread Drugs and Fear Far Afield Stockton, where there are fewer sources by got something to fight over," said De-of supply and where the demand is grow-By Robert Reinhold New York Times Service STOCKTON, California - It is a weekly ritual that vexes and confounds

the residents and the authorities in this placid farming center, where the asparagus and tomato fields of the fertile San Joaquin Valley push almost into downtown. Every weekend, members of Los Angeles street gangs make the 337-mile (550-kilometer) journey up the freeway and set up shop in a motel room or local home.
From there they deal the concentrated

cocaine derivative called crack to local buyers and, in some cases, death to those in their way. Like itinerant peddlers, they travel to broaden a saturated market.

ing, if a local competitor emerges, the well-heeled visitors from Los Angeles will offer cut-rate "two-fers" or "doubleups," until the competition folds or joins

The recent spread of Los Angeles's armed street gangs, which control most of the retail drug trade in this region, to smaller cities and towns of the West is one of the more extraordinary aspects of the crack business. The police say they have set up branches in such California cities as Bakersfield, Fresno and Sacramento; in Reno, Nevada, and even as far away as Anchorage, Alaska.

The result has been a dose of violence An ownce of crack that costs \$600 in as the gangs fight for market share. "The os Angeles can bring, broken into real violence has come only in the last Los Angeles can bring, broken into real violence has come only in the last smaller "rocks," \$2,200 to \$2,400 in year because of the cocaine — they final-

quin County sheriff's office.

Of 15 murders in Stockton this year, six have been gang-related, according to Dale A. Wagner, the police department's gang investigator. On March 20, a nearly blind 18-year-old youth, Edward Wayne Apartments, a two-story complex in this Riley, not a gang member, was shot to city of 185,000 people.

death because he could not see a gang

But two women in the complex, Ella advancing on a group of youths he was

While gangs are not nearly as strong in Stockton as in Los Angeles, there are about seven Los Angeles gangs with a foothold in the city. Most notable are the 5-Dence Hoover Crips, the North Side Gangsters, the South Mob and the 118th Street East Coast Crips.

They are drawn not only by the high price that cocaine fetches in Stockton but

the police in Los Angeles. They operate months. openly in Stockton. Local members of the East Coast Crips, in their blue baseball caps, hang out under the oak trees along Marsh Street near Filbert Street,

Jones and Meiva Doyle, are fighting back. Ms. Jones, who is assistant manag-

er, patrols the grounds with a bullhorn.
"If they see me, they take off," she said. courtyard and, referring to the Crips gang, said: "This is blue territory — I notice more of the younger kids wearing blue scarves. They come through with scarves in their back car windows." The low-income complex has had two mur-

Mrs. Doyle, mother of two girls, has earned a measure of respect and enmity by confronting the gangs and calling the police. Two months ago, her car windows were shot out. "They told my girls they were going to get me because I was a suitch," she said.

But the women are the exception. So intimidated are residents that it is difficult to find witnesses to gang-related crimes, according to Wally Kobayashi, If they see me, they take off," she said.

Her ally, Mrs. Doyle, scanned the office, which is prosecuting 11 gang members charged in the death of the Riley youth.

The growing influence of the gangs, which are made up of blacks, on local black youth has stirred deep unease among parents and teachers.

### **Poll Showing Gains by Opposition Enlivens Mexico Election Campaign**

of Mexican voters in the presidential campaign shows Carlos Salinas de Gortari of the Institutional Revolutionary Party ahead of his two main rivals in the coming election, but with a smaller lead than any achieved by his party in modern

The poll, made public on Monday, indicates that Mr. Salinas is favored by 56 percent of registered voters in the July 6 election, compared with 23 percent for Cuanhtemoc Cardenas of the left-populist National Democratic Front and 19 percent for Manuel Clouthier of the right-of-center National Action

The survey was conducted from May 12 to June 1 by the Gallup Organization for ECO Inc., a Spanish-language television network and news service based in Los Angeles and affiliated with the Mexican television network Televisa.

The poll, involving interviews with 2,960 people, had a margin of sampling error of plus or minus 3 percentage points. In the Mexico City area, where

comfortable majorities elsewhere century. in the country, including two-thirds of the vote in the backward and impoverished states of the south, more than compensate for his weak showing in the capital. The findings are certain to heat

So why do people do it? Be-

cause "no other war, not even the

Revolutionary War, has so fired the public imagination." Because

"you'll learn more from one

staged battle than from an ava-

lanche of books." Because "for a

brief moment, one is ripped

away from the impersonal, over-

regulated 1980s." And because

"a battle in which you can't be

Chevrolet has one solution to

the problem of losing car keys or inadvertently locking them in the car. Its Corsica and Beretta mod-

els come not only with the stan-

dard metal keys but an extra set

of plastic keys mounted in a

holder the size of a credit card

that fits easily into a wallet or purse. The keys are unbreakable

and can be used several times

More and more parents are taking their small children with

them when they dine out, and

not only to fast-food restaurants.

According to a survey of 10,000

families taken for the National Restaurant Association, the

number of children under 6 pa-

tronizing better restaurants rose 43 percent from 1982 to 1986, far

faster than the overall increase of

10 percent in that market. The

New York Times says many par-

ents now have more disposable income and less access to baby-sitters. "It used to be the few kids

before wearing out.

killed is the best kind there is."

Short Takes

up the debate about the election

is known, and that such fraud is

already well under way. Electoral polls have, until this year, been regarded in Mexico as of relatively little interest or imporance, since the outcome of every

The ruling party has never lost a presidential or gubernatorial elec-tion since coming to power in 1929, but accusations that it has engaged pad its totals have become increaselections.

As recently as the 1976 presidential election, the ruling party candidate, José López Portillo, ran unopposed and won all the recorded 16.7 million votes cast. In 1982, Miguel de la Madrid received 71 percent of the total vote, compared to 16 percent for the National Action Party.

The campaign this year, howevsupport of only 47 percent of the ed more public interest and debate electorate, the survey shows. But than any election in nearly half a

> led to a burst of polls conducted by newspapers and television stations, miversities, political parties and public opinion groups.

Most of those polls, however, nd about the function and reli- have been regarded as of dubious I.S. officials were quick to reject ability of polls as the race enters its reliability. Questions have been

out by the PRI, as the ruling party from Mexico City as being indicative of nationwide trends. "The majority of the polls have a

specific objective," Adrian Lajous, author of "The 1988 Electoral Dispute" and a prominent political commentator, said last week "They start from the base that Salinas or Cárdenas or Clouthier is

Nevertheless, said Héctor Aguilar Camin, editor of Nexos, an influential political and intellectual monthly journal, the sudden fascination with opinion polls "reflects the political effervescence in the country and the growth of public opinion" in the political process. The desire to find out how the electorate really feels, he said, "is a new signal of concern with political le-



GERALD GODFREY For-Eastern Art Exhibition of recent acqui including Archaic Bronzes,

Hom & Tong Dynasty Painted Pottery, Japanese Screens & Haniwa June 6 - July 4

---- Change London W1.

### **5 Officials Reassigned in Pentagon Inquiry**

are under scrutiny in the Pentagon bribery investigation, sources said

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The five were identified as James E. Gaines, a deputy assistant navy secretary; Victor D. Cohen, a deputy assistant navy tion section.

The affair

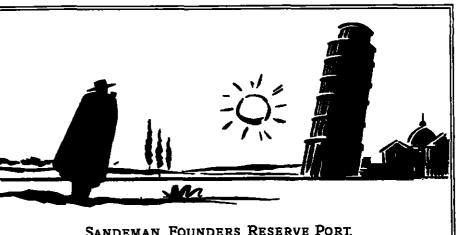
signing five Pentagon officials who Command; Stuart Berlin, an execu-partment officials, tive with the Naval Air Systems Command, and Jack Sherman, a Marine Corps official who works in tion between Defense Department the equipment and service acquisi-

The affair came to light June 14,

Compiled by Our Stuff From Dispatches
WASHINGTON — Defense
George Stone, a navy official in the
Secretary Frank C. Carlucci is reasSpace and Naval Warfare Systems
Space and Defense DeCompiled by Our Stuff From Dispatches
ty assistant air force secretary, when federal investigators seized
materials from military contractors, consultants and Defense Decontraction of the contraction of

personnel and officials of several

The case focuses on the illegal trafficking of confidential informa-



SANDEMAN FOUNDERS RESERVE PORT. No Longer Reserved For The English.

# HAVEN'T YOU



### PAN AM OFFERS THE ROOMIER, MORE COMFORTABLE BUSINESS CLASS.

#### DON'T YOU DESERVE MORE SPACE?

Of course you do. And that's just what you get in Pan Am's Clipper® Class across the Atlantic. We have six across seating, not eight like on some other airlines. And our seats are wider, giving you more room to spread out and work or to stretch out and relax. So you'll arrive at your destination rested and ready to do business.

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We think so. That's why we're installing brighter lighting, and bigger storage bins for more carry-on space. And special decorator touches, like handsome new tweed seat cloth, make for an altogether better business environment.

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#### By Larry Rohter New York Times Service final two weeks. Both Mr. Clouth- raised about the sampling size and ier and Mr. Cardenas are on record methods used, the political affili-MEXICO CITY - The most as saying that the only way Mr. ations of those taking the poll, the Salinas can possibly win is through failure to poll in the countryside large-scale electoral fraud carried and the tendency to project results thorough and nonpartisan survey

election was a foregone conclusion.

in widespread electoral fraud to ingly common as the political opposition has come close to victory in several recent state and local

one-quarter of Mexico's 83 million er, has evolved into a bothy contestpeople live. Mr. Salinas has the ed three-man race that has prompt-The increased competition has

-AMERICAN to actually kill you, the thought of killing them to get out of this Kaspar, an Atlanta waiter. "Now

are well behaved. You can tell

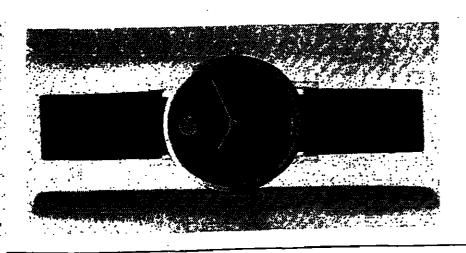
they are educated, used to going

Charlayne Hunter-Gault, who was one of the first two blacks to enroll at the University of Georgia in 1961, encountering the jeers and snubs of white students, said in a commencement speech at her alma mater this month on the 25th anniversary of her graduation: "If I had to do it all over again, I might have hoped for less of a struggle. But even today, I would welcome the

In a letter to The Washington Post, Louise Chesnut wrote that but for National Airport, in the heart of the metropolitan area, she and her husband, now retired, might well have started staying up to watch television and sleeping late. "The airport has saved us from such a selfindulgent and sloppy way of liv-ing," she wrote. "The airport is more efficient at waking us than even the most strident of alarm clocks, and it is not subject to electrical outages. We are roused regularly each morning at exactly 7:01, as the first planes streaming out of National pass overhead. The 7 o'clock flights are so numerous that we are not tempted to pull a pillow over our ears and try for a little more

sleep, but arise promptly."

Arthur Higbee



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### A Corrupt System

style of former Defense Secretary Caspar Weinberger, others the hands-on style of former Navy Secretary John Lehman. But the blame surely transcends individuals.

The whole system of weapons buying, involving defense officials, contractors and legislators, has sometimes turned into a machine for bilking the public and robbing Reagan administration's appointees have

taken a bad system and made it worse. The unfolding scandal involves a network of consultants who trafficked in purloined documents to give companies an advantage in bidding for weapons contracts. The government's inquiries are at present centered on the navy, its contractors and consultants.

In theory, contractors compete to build the best weapons most cheaply. Too often, competition is buried by a system of negoti-ation and influence-peddling conductve to the kind of bribery now being investigated. The armed services want the freedom to

impose their desires on contractors regardless of cost, including frequent afterthoughts in weapons design; the contractors want freedom from competition. The mutual interest in avoiding market pressures is pre-served by way of the revolving door, the constant circulation of people between the Pentagon and its main contractors.

In the Pentagon weapons-buying scandal, some critics fault the hands-off management abuses; indeed, after each scandal it writes layer after layer of new regulations. But no congressman willingly allows any employer in his district to lose a military contract. Hence real competition, the one disinfectant that might cleanse the disease, is the one remedy that is never legislated.

In the grip of this iron triangle, weapons that ought to be built, like pilotless airthe nation of effective defenses. Yet the craft, languish on the drawing board. Instead, money goes into elaborate frigates that cannot detect mines, overweight bombers that cannot penetrate Soviet air defenses and overpriced anti-aircraft guns that cannot even down helicopters.

Mr. Weinberger stuffed money into this system yet paid little attention to what it bought or how it was spent. The lavishness of military spending during Mr. Reagan's years has invited corruption. By 1986, the Pentagon's inspector-general was investigating 300 charges of fraud involving 59 of the department's 100 largest contractors. Senator Charles Grassley of Iowa, who

has been briefed by prosecutors on the present scandal, says it "goes beyond our wildest imagination." In scope, that may well prove true. But in principle, given the way the system works and the record of Pentagon profligacy during the Reagan years, no one should be surprised.

- THE NEW YORK TIMES.

### How to Help Haiti

After a brief time of hope that ended last November, Haiti has been sliding backward toward its traditional politics of plunder and violence. The commander of the army, Lieutenant General Henri Namphy, declares that his new military government will restore "discipline." Discipline is not an attribute that the Haitian army knows much about. Untrained, poorly equipped and predatory, it gives its loyalties to individual officers, many of whom are implicated in smuggling, petty racketeering and, in the case of the notorious Lieutenant Colonel Jean-Claude Paul, drug-running.

After the uprising that ended the Duvalier regime two years ago, the country went through a process of writing a genuinely democratic constitution. But when election day arrived last November, gunmen with soldiers behind them shot up a number of the polling stations, killing more than 30 people. The purpose was to defend certain lucrative practices unlikely to survive in a democracy. Subsequently the army held its own kind of election and installed a civilian, Leslie Manigat, as president. The nature of the deal between the officers and Mr. Manigat was

never clear, but it evidently was not stable. General Namphy moved last week to transfer Colonel Paul to a desk job. President Manigat interceded in the colonel's behalf, dismissed General Namphy and put him under house arrest. On Sunday, troops loyal to the general seized the presidential palace.

On Monday, in front of a television camera, he promoted himself to the presidency, with Colonel Paul standing beside him. Meanwhile Mr. Manigat was checking into a hotel in the Dominican Republic.

Three-fourths of Haiti's people are illiterate. The country has had little experience with any government but military despotism or, as under the Duvaliers, worse. Poverty is severe, health conditions are poor and unemployment is so high that the numbers are meaningless. The country has an educated middle class, but much of it lives abroad.

The emerging Haitian government is not one that the United States can support. But neither can Washington ignore the misery in which most of Haiti lives. Last November, in protest against the aborted election, the United States cut its aid by two-thirds. It no longer supports the government, but sends money through private voluntary organizations working to improve, mainly, health and agriculture.

Last winter there was some talk in Congress of trying to force Haiti, through economic pressure, to hold new elections. But using aid as a lever to try to influence Haitian political developments does not work. A better strategy is to increase aid and do as much as outsiders can to improve the conditions of life, while continuing to keep the money entirely away from the Haitian government and the army that now runs it.

-THE WASHINGTON POST.

#### Other Comment

#### Only a Hesitant Beginning

Mikhail Gorbachev has inaugurated a each previous flurry of revisionism, his condemnation of Stalin has reached no further than necessary to consolidate his leadership. Criticism of Stalin has been used to clarify what is unacceptable about the way in which the Soviet system has developed. It has facilitated changes in policy without the need to abrogate Marx and Lenin as well. Stalin's "mistakes" have been used to absolve the system.

One test of Mr. Gorbachev's revisionism will be whether Trotsky can be reintroduced into Soviet history without the sterectyped abuse which has accommanied the rare mentions of his name since his banishment. Another, perhaps the greatest test, is whether Lenin - who was elevated to sainthood even as Trotsky was anathematized will ever be treated as human and fallible.

A hesitant beginning has been made; no more. The suspension of school history examinations this summer indicates the depth of historical revision now under way in the Soviet Union. The best result would be the propagation of a more truthful account of Soviet, and world, history; the worst — the replacement of one orthodoxy by another. If the worst is not to happen, a start must be made to commemorating the ordinary victims of Stalin. The system which can rehabilitate those who once stood alongside Stalin must also show itself canable of recognizing the millions they sent to their deaths. When will the system itself be indicted?

- The Times (London).

#### Japan and the Middle East

Foreign Minister Sosuke Uno this week visits the Middle East to search for ways in which Japan may contribute to peace in this region of conflict. During his tour, which begins on Wednesday, Mr. Uno will visit Syria, Jordan, Egypt and Israel.

We do not, of course, believe that his tour will produce immediate answers on what Japan can do to help achieve peace in the Middle East. However, it will widen Japan's diplomatic channels with nations in the region and subsequently enlarge the scope of Japan's diplomacy. Japan has no intention of joining the power games in the Middle East. It is our hope that Japan will find ways to

solve conflicts in the region and thereby contribute to the international community. Mr. Uno will inspect conditions on the an kuver under th auspices of the United Nations. It should be stressed that this inspection tour will in no way soften Japan's criticism of Israel's occupation of the West Bank and Gaza.

— Yomiuri Shimbun (Tokyo).

#### The Actress Has Apologized

At the height of the Vietnam war in 1972. actress Jane Fonda went to Hanoi to protest U.S. involvement in Southeast Asia an act for which many Americans never forgave her. Now she says she is sorry for much of what she said and did during the war. Some people suspect an element of calculation in this. But there is no reason to doubt her statement that she regrets having allowed herself to be used for propaganda purposes by the North Vietnames

Miss Fonda's youthful lapse at least might be explained as the product of a sincere, if misguided, idealism. By contrast we have yet to hear former President Richard Nixon apologize for, say, the secret bombing of Cambodia - even though that misguided policy led directly to the collapse of a previously neutral government and its ultimate replacement by a murderous regime that deliberately slaughtered millions of its own citizens. Mr. Nixon has never publicly acknowledged his role in the destruction of Cambodia - an omission, one suspects, that can only be justified on the altogether cynical grounds that, unlike naive young starlets, being president means never having to say you're sorry.

- The Baltimore Evening Sun.

#### The Stench May Get Worse The grand jury investigation of bribery

and corruption in the Pentagon's procurement program, is starting to show every sign of developing into a gale-force scandal for the Reagan administration. The allegations that have surfaced so far suggest that what may soon be exposed is a network of wrongdoing against which earlier cases of Department of Defense corruption could seem almost minor. As the extent of corruption continues to be explored, the already considerable stench of scandal is likely to get worse.

- The Los Angeles Times.

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# OPINION Nuclear Weapons: The Only Acceptable Level Is Zen

D UBLIN - Recent developments should not cause us to lose sight of the deeply troubling currents in a world which is still far from abandoning the age-old reliance on military strength. The INF Treaty will eliminate only a tiny fraction of the nuclear stockpiles, still leaving arsenals capable of destroying human civilization many times over.

The arms race continues. It is a powerful source of tension and it squanders real resources badly needed to combat world hunger

and promote Third World development.

Global military spending —a trillion dollars annually — has increased more than fourfold in real terms since 1941. Current plans for the modernization of nuclear forces still call for the deployment of thousands of new nuclear weapons. Since 1982, strategic warheads have increased by a third from 18,000 to 24,000.

There are two fundamentally different approaches to security: the adversarial approaches based on strength and deterrence, and the cooperative, confidence-building approach. The first is often described as hardheaded and realistic, as having preserved peace for 40 years. Yet there have been dozens of regional conflicts since 1945, often exaggerated by su-perpower rivalry, some of which have threatened to escalate into global conflict. The muclear arms race has led to a world of diminished security at higher levels of armaments.

It is said that nuclear weapons cannot be disinvented, but the time is ripe for new thinking in this regard.

We are confronted with the unsolved problem of disposing of nuclear waste. Dumping at sea can never be accepted by island countries like mine. The growth in nuclear submarine traffic in busy coastal zones, such as the Irish Sea, is also a matter of considerable concern. Such submarines are in effect mobile nuclear power stations subject to the risk of accident and collision. New thinking is called for so as to banish the prospect of almost everlasting contamination of the environment for everyone.

Given that the greatest conceivable environ-mental catastrophe would be caused by a nuclear exchange between the superpowers, it should never have been considered unrealistic to seriously consider completely eliminating such weapons. Now at least the superpowers

themselves envisage such a possibility.

But the responsibility for disarmament cannot be left to the superpowers. We look forward to further multilateral negotiations to develop the work on confidence- and security-building measures begun at the Stock-holm conference from 1984 to 1986, and to negotiate actual reductions in arms.

The Stockholm document includes a range of measures providing for openness in the conduct of military activities, for constraints on such conduct and for far-reaching verification arrangements. This graduated confidence-building approach, involving all states great and small, has an important role to play in pursuit of the disarmament goal.

The first and obvious step in halting the arms race is to end nuclear testing. Since the Limited Test Ban Treaty of 1963, well over a

By Charles J. Haughey The writer is prime munister of Ireland.

thousand test explosions have taken place. Ireland believes that a Comprehensive Nuclear Test Ban Treaty is the first priority. It would be the single clearest proof of the willingness of the nuclear powers to discharge obligations that they have already accepted and of their determination to control the arms race.

The next step is to halt deployment. Ireland strongly supports the aim of a 50 percent reduction, but this will have little meaning if the remaining warheads are refined and transformed into even more lethal engines of destruction. There should be an end to the development of new weapons and delivery systems. The third step will be to make further deep

reductions in remaining nuclear weapons, in-cluding sea-based missiles. Remaining numbers after a 50 percent reduction will still be far greater than what are needed, even accepting the logic of deterrence. The only acceptable level of nuclear weapons is zero.

The nuclear nonproliferation regime (which owes its origins to an Irish initiative at the United Nations) must be strengthened, and internationally agreed safeguards on civil nu-clear installations fully implemented. Agree-

ment should be reached on the total elimination of chemical weapons, the use of which must be regarded with universal revulsion.

The prospect for nuclear disarmament would be mmeasurably increased if the threat posed by concentrations of conventional forces were removed. A further essential step is to prevent the extension of the arms race to outer space. Experience has shown that every advance of military technology has merely added a new dimension to the threat facing us all, and squandered vast resources.

International institutions such as the United Nations, which provides structures and a legal framework to govern relations between states. must be strengthened. Most importantly, the Security Council must improve the cooperation among its members, so that it can dis-charge its primary responsibility for the main-tenance of international peace and security.

In a world where force and anarchy challenge the rule of law, many nations feel compelled to base their security on armed strength. The alternative of building an international order where reason and justice prevail is generally recognized as a task

urged upon us by respect for human vaand concern for survival.

Mine is a small country. We are to member of any military alliance; we have nuclear weapons or installations; our contional forces are small. Our only strength is moral right to speak out truthfully, uninhib by any vested interest or involvement.

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It is sometimes suggested that small co tries depend for their security on the we ons of those nations prepared to use. deterrent. It is my firm view that much the contemporary feeling of insecu springs from the very existence of med springs from the very existence of mad weapons. Far from providing us with p tection, they are a constant threat, dam ous to all the people of the globe, inch ing those who possess them.

They are a cloud over the future of m kind — a denial of the age-old hope thumanity could learn to manage its affair peace and friendship and make rational use great new scientific opportunities so that enlightened side of human nature would in itably prevail over the dark.

This comment was adapted for the Internation Herald Tribune from an address on June 2 to United Nations' special session on disarmana

### Vulnerable America Needs Nuclear Deterrence

WASHINGTON — At last the discussion of foreign policy has begun in the American

presidential campaign. In his appearance before the Atlantic Council last week, Michael Dukakis finally said where he stands on issues of national security. Those stands will guarantee his defeat in November providing, of course, that George Bush makes no serious mistakes and helps the American people understand why the Dukakis positions are extremely dangerous.

In a wide-ranging speech on security issues, Mr. Dukakis outlined a strategy differing sharply from that of recent Republican and Democratic administrations. and from traditional NATO plans. Again and again, in his prepared

text and in response to questions, he explained his priorities: to enhance U.S. nonnuclear capacities; to eliminate major nuclear weap-ons systems including the mobile MX and the Midgetman missiles; and to stop the development of a strategic missile defense.
"We don't need SDI, we need CDI" (a conventional defense ini-

tiative), Mr. Dukakis said. "We don't need MX missiles running around on railroad cars; By Jeane Kirkpatrick

we need an anti-tank weapon that ble than at any time in its history. can stop Soviet tanks." He believes that America has a "massive and survivable nuclear deterrent," but he did not imply, nor does he presumably believe, that U.S. security can be guaranteed by a strategy of mutually assured destruction. Otherwise he would have shown more concern

with nuclear force modernization. Almost all NATO strategists strongly support enhancement of conventional forces, but in a context of comprehensive force modernization. By decoupling conventional force enhancement and nuclear force enhancement, Mr. Dukakis seemed to suggest that conventional forces could substitute for nuclear deterrence.

The most disturbing aspect of Mr. Dukakis's approach was his apparent unconcern with the defense of the United States.

States is the most important fact of our times. Most Americans still do not understand that improvements in the accuracy and speed of Soviet missiles and the silenc-

It is a new fact; it is unwelcome: Americans do not want to know it; we do not like to think about it. Even "war games" do not incorporate into their scenarios the possibility of a direct threat to American territory. Yet for the first time in history a

potential adversary has the capacity to destroy American cities, populations, productive and defense capacities in a matter of minutes. The oceans which through two centuries have protected the United States against foreign incursions are today a medium for newly silenced submarines to gain access to American shores. American vulnerability should

be the starting point for any seri-ous consideration of security policy. Otherwise the discussions are as idle as the plans of French generals who after World War I built The vulnerability of the United elaborate concrete fortifications that were exactly the sort of thing France had needed in that war. The Maginot Line proved utterly useless against Hitler's mobile armies and blitzkrieg tactics.

ing of Soviet submarines have rendered America more vulnera-its generals had failed to under-France's defenses failed because

stand the revolution in technok and tactics of war. Convention thinking and conventional fenses failed France, as come tional thinking and convention defenses can fail the United Stat In our times, it is not easy

keep a nation's defenses par with scientific innovation and m tary application. It is much es and much more pleasant to thi about glasnost than to keep to of Soviet research, developm and deployment of improved fensive and defensive missile none of which has been affected Mikhail Gorbachev's reforms.

Mr. Dukakis's first serious w ture into foreign policy suggethat he has not yet faced the f that the first responsibility of next American president will be provide for the defense of the a tinental United States. The ty-of weapons needed for such a fense are precisely those he p poses to eliminate or downgrad One hopes that he will soon to his attention to this most urg problem. At the very least, should say how he plans to r tanks to defend America agai growing arsenals of Soviet lar and sea-launched nuclear missi

Los Angeles Times Syndicate

Council, whatever its members

behavior of the Khomeini regir

not prepared to acknowledge that

needs something more than im-

sions in Resolution 598 to show i

dreadful human losses, the war is

### Gulf War: A Face-Saving UN Formula to Bring Iran Around

By Anthony Parsons

E XETER, England — It is almost a year since the United Nations Security Council unanimously adopted its mandatory Resolution 598, demanding a cease-fire and other measures to bring an end to the war between Iran and Iraq.

It is also a year since warships were deployed in the Gulf to protect some drags on; overall, attacks on shipping have increased. What has gone wrong? Is the Security Council impotent to bring this bloody conflict to an end?

In fact, the distinction between mandatory resolutions of the Security Council under Chapter VII of the UN Charter and recommendatory resolutions (of which the council has adopted six since the war began) under Chapter V is more apparent than real. The council has no automatic means of enforcing its will. It can produce results only through negotiations on the basis of its resolutions.

This requires at least minimal cooperation from all parties to a dispute. The UN secretary-general, Javier Pérez de Cuellar, has sought to secure this in a lengthy round of discussions with representatives of Iran and Iraq. It was no surprise that Iraq accepted Resolution 598 in its entirety, pro-

vided that Iran did the same. Iraq has every reason to be satisfied with the attitude of the Security Council since the outbreak of hostilitie When Iraq invaded Iran in September 1980, the Security Council did not even meet for days. Iraqi pressure to let its forces pursue their attack was a major factor in this inactivity, as was

Iran's pariah status due to the hostage drama at the U.S. Embassy in Tehran. The council's first resolution (SCR) 479 of Sept. 28, 1980) did not call for the withdrawal of Iraqi forces, then deep in Iranian territory. The council since has failed to condemn Iraqi use of poison gas (except once in 1986, in a sidential statement) or Iraqi initiation of the attacks on merchant ship-

ping and the bombing of cities. Resolution 598 also is weighted in Iraq's favor. It offers a cease-fire plus the interposition of UN peacekeeping forces, withdrawal to the interna tional boundaries and an exchange of prisoners. Iraq's forces had been on the defensive for six years, and these propositions suited it.

Unsurprisingly, Iran equivocated. For Tehran, all the resolution offered was, in Article 6, the "exploration of the question of entrusting an impartial body with inquiring into responsibility for the conflict," and (Article 7) a study of the question of reconstruc-

tion, meaning reparations.

Iran saw itself in the position of having to lay down its arms, surrendering all that had been gained at appalling cost, with no certainty of the aggressor being identified, let alone punished. The secretary-general has been un-

able to secure Iran's minimum cooperation, without which the resolution is likely to remain a dead letter. The Iranians' paranoia is intensified when they are characterized by the majority of the council as the recalcitrant party, against which coercion is needed. Still, there is a possibility of securing a more flexible Iranian attitude.

Iran has suffered setbacks on the bat-

tlefield and at sea. If its leadership is

having second thoughts, it needs some

face-saving formula that can be pre-

sented to the people as sufficient

reason to agree to a cease-fire. the tanker war, Iraq that first used

rity Council publicly adopting a more ed the bombardment of cities.

The Security Council could. for example, acknowledge in a statement by the president that all the blame does not rest on one side. Iran was insufferably provocative in 1979 in its attempts to export its revolution by submay be obstinate in continuing the war after Iraq was ready for peace at any price. But it was Iraq that started

This could be achieved by the Secu- chemical weapons and Iraq that start-

impartial posture. It would be hard to sell to Iraq, but Baghdad might be prepared to accept a diplomatic set-back if it opened the door to peace.

A statement from the council acknowledging these facts might do more to bring Iran to the table than a rms embargo or other mandatory sanctions which would reinforce the leadership's laager mentality.

council. West Germany, Italy and verting the Shiite Moslem majority in Iraq. But it was Iraq that invaded. Iran with Tehran. Argentina, Zambia, Alwith Tehran. Argentina. Zambia, Algeria, Yugoslavia, Nepal, Senegal and Brazil are nonaligned.

tions. There are too many heavy scores

Such a course of action should not present overwhelming problems for the 10 nonpermanent members of the

Among the permanent members, Tehran to its knees. If the Security

the Soviet Union and China should not find such a solution totally unacceptable. France has just reopened relations with Tehran, and Britain has asserted its impartiality. America would have grave reserva-

to be settled: the overthrow of the shah in 1979, the captivity of the U.S. Embassy staff from 1979 to 1981, the flict between civilizations will in perceived Iranian hand in the murderous truck bombings of U.S. military and civilian personnel in Beirut in 1983, the Iran-contra fiasco in 1986. The list is long, and it would be particularly hard in an election year for the United States to swerve from its publicly hostile attitude toward Tehran.

But coercion is unlikely to bring

ly to grind on, thousands more killed, the threat of a deep-rooted fy, and the danger of the great pe being drawn in further will incre

The writer, now a research fellowing the University of Exeter, was Brit ambassador to Iran from 1974 to and its permanent representative United Nations from 1979 to 198. contributed this comment to the l national Herald Tribune.

### This Savvy Russian Saw Iran as the Place to Fear

By John K. Cooley

LONDON — It seems like yester-day: a summer noon in Wash-ington, 1979. Much of the media was celebrating the signing of the SALT-2 Treaty by Jimmy Carter and Leonid Brezhnev. An outdoor lunch and a stroll with Alexander Zotov, a Soviet Embassy official, provided a welise in a daily reporting routine at the Pentagon.

Today, Mr. Zotov is the Communist Party director for Middle East affairs in Moscow. This probably makes him one of those responsible for formulating Mikhail Gorbachev's policies in that part of the world.

Mr. Zotov is a former diplomatic troubleshooter — trouble-maker, some would say — in Iran, Turkey and Arab capitals including Damascus. He speaks the languages and understands the cultures as few U.S. diplomats do. He would often turn up at Middle East conferences of American academics, looking and speaking, in idiomatic English, like one of the delegates, or perhaps like a very wellinformed American busines

"Tell me," I asked him on that June day, "what you think is the most dangerous situation or place in the world today for both our countries?" It seemed certain he would men-

tion the nuclear arms race, especially if the U.S. Senate did not ratify (as it didn't) SALT-2. Or perhaps the Arab-Israel conflict. Instead, he said without hesitation: "Iran is the most dangerous place and situation in the world today, for us and for you."

That was five months before the American hostages were seized at the U.S. Embassy in Tehran. But demonstrators in Iran were already denouncing the U.S. and Soviet embassies as have shown, the shah and Secretary Great and Lesser Satans. Throughout the Iranian revolu-

his excellent new book, "The Eagle and the Lion: The Tragedy of Ameri-can-Iranian Relations," U.S. and So-viet diplomats like John Stempel and Gennadi Kazankan had met regularly in Tehran to discuss the unrest. At one point, Mr. Bill writes, long before the Carter administration made the fateful decision to admit the shah to the United States for medical treat-ment (thereby triggering the hostage dent Armenian republic of 1918-

crisis), Mr. Kazankan "argued to Stempel that the United States was 'not doing enough to help the shah.' Alexander Zotov never said any-thing like that to me. What he did say

was: "You and we both fooled

around in Iran before. We got

burned. You'll get burned, too, unless you're very careful." In his reference to the Soviets, Mr. Zotov probably was talking about 1946, when Harry Truman, working with the government of the shah, suc-ceeded in ejecting the Red Army from the northwestern Iranian region of Azerbaijan. The region adjoins Soviet Azerbaijan, where a conflict be-tween Moslems and Christian Arme-

nians now threatens the stability of Mikhail Gorbachev's regime. The Soviet founding fathers realized that in the South they were inheriting the consequences of 19th century conquest and colonialization by the czars. Turks, Armenians, Russians, Persians and others had been fighting for control for centuries. Only the Bolshevik revolution, they thought, had found formulas for federation.

Just as Truman and the shah feared that Iran's Azerbaijanis would slip under Soviet domination, Mr. Gorbachev must now fear the disruptive force of Armenian nationalism and the subversive appeal, at least to some Soviet Moslems, of Tehran's ayatollahs.

Like the Kurds, who were promised a state by Woodrow Wilson after World War I, the Armenians have increasingly protested at being used as political pawns or military mercenaries by their host countries: Iraq, Turkey, Syria and the Soviet Union. In the 1970s, as Mr. Bill and others

of State Henry Kissinger, together with Israel, supported guerrilla wartion, as James A. Bill documents in fare by the Kurds to weaken Iraq's Arab government and military machine. They withdrew that support when it suited the shah's interest to make temporary peace with Iraq. Unlike the Kurds, however, the Armenians have tasted national glory

and independence several times since

embracing Christianity and Western

ways around A.D. 300. They were

1920, after generations of warfare gard Iran and its approaches and killings of Armenians by Turks, the most dangerous places in the After 1920, the Turkish-Soviet around the world, must

boundaries drawn across their territo- whether the attention they ry became what to Armenian became like permanent partition. Only the Someonia kent its culbecame what to Armenians seem viet republic of Armenia kept its cultural identity and some kind of nation-Mr. Gorbachev, struggling to disenige from Afghanistan most earl al structure — if not political freedom. gage from Afghanistan, must still re- to the International Herald Trib

Millions of Armenians, receiving will help bring a real their fractured nation.

The writer, a staff correspond

### 100, 75 AND 50 YEARS AGO

1888: News Summary

PARIS - China: An alarming rebellion on the part of the large numbers of persons left destitute by the recent inundations of the Yellow River is reported to have broken out. Troops are stated to have joined the rebels and to have slaughtered officials.

Austria-Hungary: Beethoven's remains were exhumed [on June 21], and will be transferred to the Central Cemetery at Vienna.

Russia: The private negotiations between Russia and the Vatican have been interrupted. Abyssinia: A despatch from Massowah confirms the report of the death of Ras Area Selasie, son of the Negus.

He is stated to have been poisoned,

and it is rumored that the Negus has

had several chiefs suspected of com-

plicity in the crime put to death. 1913: Reply to Russia ST. PETERSBURG — The Russian Government proposed to the United

States to renew the treaty of merce denounced by the States apropos of the incident nected with passports of Amer Jews travelling in Russia. Presid Woodrow Wilson has replied that would only accept the proposition condition that American Jews be lowed to enter freely into Russia. 1938: Fire at the Louvi

PARIS — The firemen of Paris night [June 21] prevented serious naucial and cultural loss when the put out a blaze on the roof of

Louvre over the Grande Galerie, rectly above dozens of canvases Rembrandt and Rubens. Flan touched none of these. This was first time in the history of the Lou as a national museum that the but ing has ever caught fire. It was pected that the authorities, anxic to reassure the public, would of the Louvre on time today, providi all the water and sawdust could cleaned up and the pictures rebuil



**OPINION** 

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### The Level & Newspapers, Boringly Clean, lave Forsaken the Unwashed 444 CATE 4 عيراوه أحاسته

By Jim Fain

ASHINGTON - Sometime in icons were designed to reward gravitas, June 1938 I got a job as a newspareporter. After 50 fun years, here-a few curmudgeonly sentiments on state of the press, then and now. lot the usual complaints. American ispapers by and large are more re-nsible. Reporting proficiency is high-30 are ethical standards.

he problem is neither venal toadying idvertisers (there used to be more) sensationalism "to sell papers." It uliness, conformity, self-importance the thirst of editors, reporters and lishers for peer approval. The result 1 Daily Bleat more conducive to czing than to schmoozing.

acept for a few pillars of rectitude as The New York Times, newspajused to be lively, warm companions, afraid to laugh, cry or otherwise re-t the human condition. Along with and elections, they chronicled cats used from trees, mothers reunited with ies and cures for the common cold.

his afforded inexpensive sneering lieges to those who found solace in liectual pretension, while enticing se who moved their lips when readinto worthy labial exercise. It proed the majority in between with a d of life's absurdities to leaven the

on of significant events. lews people, who lean toward high-ided melancholia, were never comable with this panache. They felt ialized when dealing with interest-subject matter, and gloried in the eadably portentous. They were en-raged in pursuit of the grave by malism faculty desperately if vainly ming the inner citadels of academe. ::: 'o bolster their self-esteem, journalcreated legions of merit. There are

not customer satisfaction. They lend us

the dignity we crave. Television provided an excuse. Let the idiot box regale the unwashed, we said. We will concentrate on the significant. As a result we lost circulation and, worse, intensity of readership. We destroyed our most valuable asset; the interactive bond with readers which produced a unique chemistry. When we were vital, there was a love-hate relationship that maintained mutual respect.

It's mainly gone, alas. As the number of papers dwindled in America, those perceiving themselves most reverently as supra-governmental institutions became the industry model. Iconoclastic ownerpublishers died off, to be replaced by bureaucrats vying for trade association chairs, slavishly copying each other's "products," glorying in the attentions of the powerful and willing to sell their mothers for the key to the men's room of the ruling Eastern elite (New York Times, Washington Post, Wall Street Journal). This access is not, however, for sale. The

Television has a vital role in journalism but it complements print. Newspapers shot themselves in the foot, led by egotists

who forgot what we are about.

The First Amendment gives us unique freedoms not because we are fair-haired or even just but because we have an indispensable service to perform. It is to ingrain readers with the information they must have to make democracy work. This process is incomplete until we make the information compellingly interesting and easily understandable. It can't be done with wordy, wooly esoterica. The only hope is to reach honestly and humbly for linkage to the public's nervous system.

### ongress Is No Innocent Bystander

N the 1950s, the liberal academy and its acolytes in the American press cluded that the U.S. system of govment had two flaws. One was the dohing occupant of the White House, ight Eisenhower, who was allowing presidency to wither away. The other Congress, a backward, obstruction-nob of Dixiecrats and isolationists. he solution was simple: a vigorous ing president who would restore the ce to its rightful place as the center of eral action, power and authority, relting Congress to its proper role as a apliant junior partner. John F. Ken-

y seemed to fill the bill. lis grave was still fresh when a new dom began to take hold in the press. nation was threatened by an "imperation was threatened was threatened by an "imperation was threatened by an "imperation was threatened was thre e conspiracy. Later it perpetrated

Iran-contra affair. Congress, in all

these events, was an innocent bystander. It underwent a mysterious reincarnation, became the conscience of our better selves and made common cause with the press to expose the evils hatched at 1600 Pennsylvania Ave. (It was perhaps not coincidence that the White House was in Republican hands during this period while Democrats controlled Congress.) Where are the journalists now? The

Iowa caucuses, events of no significance, attracted 3,000 of them this year, five times the number who covered World War II. The largest pack of newspeople to show up in the House or Senate this year was for a contra aid vote: about 125. The stories of 1988 are elections and summits. That is where the journalists

are. Michael Dukakis or George Bush will be 1989's big story. Congress in 1990? I'll give you 4-to-l against.

-From a column by Richard Harwood, ombudsman of The Washington Post.



#### LETTERS TO THE EDITOR

#### Sanctions Debate Is Full of Folly and Wishful Thinking

Regarding "Now a Season of Opportuni-ty for Southern Africa" (Opinion, June 14): Anthony Heard assumes that the Afrimer, led by President Pieter W. Botha.

is both rational and democratic. History says otherwise. The Afrikaners are a prime example for Barbara Tuchman's book, "The March of Folly"; Pretoria meets all the criteria of a government pursuing policy contrary to self-interest. Mr. Botha's mandate to govern comes from a small percentage of the population. Power-sharing is not in the nature of the Afrikaners. One pretext for the Anglo-Boer War was the refusal to franchise a minority of English-speaking citizens, the *Uitlanders*.

Angola and Namibia will be South Africa's Vietnam if the Afrikaners continue to ignore United Nations Resolution 435 - which calls on South Africa to end its rule of Namibia - and try to hold on to the spoils of World War L If the Afrikaners continue to destabilize and beggar the 75 million Africans in southern Africa in the selfish interests of 2.5 million Afrikaners, history will make the decisions, not a Botha-led oligarchy. [Name withheld].

To oppose sanctions against apartheid on the grounds they will promote eco-nomic growth in South Africa, as The Washington Post does ("No to New Sanc-tions," Opinion, June 16) is wishful thinking. The three decades beginning in 1945 saw relatively rapid economic growth in

come differentials did not narrow. In this decade, the decline in wage differentials, the modest (and now largely reversed) increases in the black trade unions' room to act and in the discussion by whites of real reforms, have come during a period of virtually no increase in output per person. Domestic black pres-sure, a hostile world economic environment and governmental and business

sanctions have caused these changes. With less economic room for maneuver, the apartheid establishment has become more willing to concede real economic ground and to attempt to restructure apartheid politically while retaining a white monopoly of force, of political decisions and of central economic power.

By reducing the economic (and thus military) power available to the apartheid regime, sanctions can contribute to reducing the time and lives lost before that regime agrees to a transfer of power to a new system. Sanctions cannot cause this -only black South African action can but they can contribute to it by reducing the resources available to sustain apartheid and by showing that South Africa's variant of Western Christian civilization" is seen to be neither civilized nor

Christian by the West. REGINALD HERBOLD GREEN. Lewes, England.

The Washington Post says "No to New Sanctions" against South Africa and im-plies that withholding "labor and purchasing power" can be effective weapons South Africa and also the rapid growth of apartheid doctrine and practice. While black employment grew, black/white in
South Africa and also the rapid growth of apartheid doctrine and practice. While black employment grew, black/white in
South Africa and also the rapid growth of apartheid But a one thing to present an exhibition of news story in the same edition tells how works created for the Nazi regime; it is South African "protest groups, fearing quite another to commission Arno

prosecution under state-of-emergency laws, avoided calling for a strike" which would have meant withholding la-bor — on the anniversary of the 1976 Soweto uprising. Blacks face this kind of circular reasoning. Withhold your labor to bring about change, but if you withhold (or advocate withholding) your labor, you will be imprisoned.

JOSEPH SELMORE.

هكذامن الممل

How can anyone "appreciate" South Africa's press restrictions, as Cynthia Coetzee (Letters, June 8) claims. She writes that "naturally these restrictions are not accepted by those who want the world to think the situation in South Africa is deteriorating." To the contrary, we don't want these restrictions because we want to show the world the institutionalized violence and brutality of the racist white government of South Africa. H, KGABO. Vichy, France.

### Neither Hide Nor Glorify

Regarding "Official Nazi-Era Paint-ing: Is It Kunst, Kitsch or Just Junk?" (May 24) by Serge Schmemann:

It is understandable that the public is interested in seeing art created during the Nazi period in order to make judgments regarding its content and quality. Therefore, I would agree with Peter Ludwig's argument that it is time to stop trying to hide 12 years of German histo-ry. But Mr. Ludwig's personal actions should be viewed in a different light. It is one thing to present an exhibition of

Breker, the court sculptor and personal friend of Hitler, to do busts of himself and his wife. Such an act reveals a nostalgia for those 12 ignoble years.

I have overslept and now I am trying to

do two hours' worth of errands in one.

pushing the car through traffic, looking for parking spaces and running in and out

of stores. At each one, I am forced to lie.

asks. What business is it of yours? I want

MEANWHILE

to say. All I want is a shirt, a tie, my dry

cleaning, a container of orange juice. I

do not want to tell a perfect stranger how I am. In the first place, it's none of

his business. In the second place, I know he doesn't care. All he wants is my money. "How are you?" he asks. "Fine," I lie. "Fine." I hate it.

Whatever happened to "helio"? It was such a wonderful word. "Helio. Helio."

Perfect. It was just a greeting, "Hello.

"How are you today?" every clerk

MARTIN WEYL,

The Israel Museum, Jerusalem,

#### Reagan at 'Yalta' 88'

Once again a much-needed warning from A. M. Rosenthal ("When Kissinger and Vance Take the Same Pen in Hand," June 8). Mikhail Gorbachev, President Reagan's new "friend," is determined to protect Soviet interests abroad." These include keeping in bondage the

nations of Eastern Europe.

To millions of victims abandoned to Stalin in Tehran and Yalta, the Moscow summit meeting was "Yalta '88," another tacit confirmation of the Soviet sphere of influence east of the Elbe River.

S. GROCHOLSKI.

Shillelaghs at 20 Paces Regarding "It Is, of Course, a Matter of Offense and Defense" (Sports, June 15):

Last year you claimed Sean Kenny (stage designer) as British. You claimed Colm Wilkinson (actor/singer) as British. Now you claim that much of the Irish soccer team (which beat England) is in fact made up of "second-choice Englishmen." Enough is enough. Accept this letter as a symbolic gauntlet and choose your weapon. (P.S. Thanks for leaving us Stephen Roche and Sean Kelly.)

NOEL CODY.

write about it in the newspaper, he will say. I think, do not compare your problems with mine. Mine are cosmic, gargantuan, complex. But I don't say that. I listen. I am a saint. I also hope for a discount.
The question "How are you?" is yet

'Hi, I'm Jim,' They Tell Me;

I Want to Reply, 'Buzz Off'

By Richard Cohen

WASHINGTON — It's a miserable day, raining cats and dogs. I'm in a miserable mood, a thousand things to do and a plane to catch in the afternoon.

Hello." I liked "Hi," too, but "Hello" is my favorite. It's such a nice way of saying "Welcome" or of getting someone's attention ("Hello! What's this. Watson?"

another reflection of the false sincerity infecting America. The more atomized society gets, the more we opt for synthetic sincerity, a kind of verbal Muzak that plays in the stores: the white noise of

said Sherlock Holmes.) "Good morning" is fine, and so is "Good day." but "Hello"

is my favorite. It's so easy on the tongue, so absolutely neutral — just a way of saying, well, hello. Try it: "Hello. Hello."

But the best thing about hello is that it's honest. It is wood, not plastic, real cream of some chemical conferring. It

cream, not some chemical confection. It

does not require a lie in response. When

I am asked, "How are you?" the response "Fine" is often not true. I am

usually not fine. In fact, I have not been

line since 1949, and there are days when

I am downright miserable. Sometimes I say just that: "Miserable." Do these sin-

cere clerks even listen to my response?

No. Usually they say, "That's good May I show you some ties?"

Only sometimes — every once in a great while — one of them will actually

pay attention. I answer "Miserable," and

something happens to his face, something totally inappropriate. It doesn't drop, It lights up. It beams. You know why? Be-

cause then he tells me his problems customers that have given him a hard time, the travails of retailing. I should

retailing. How's it going? How are you?

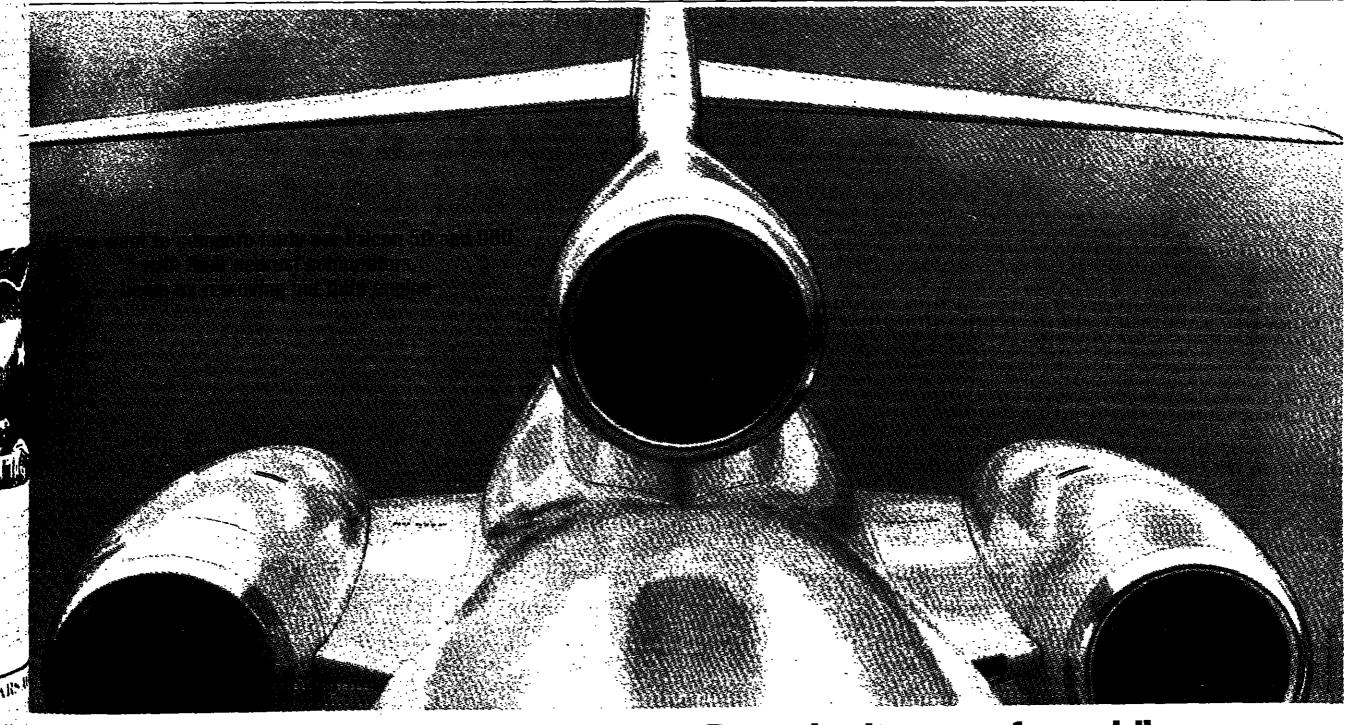
It is one thing when a clerk you know asks "How are ya?" because in that case there is an outside chance he may really care. I know clerks who have been serving me for years. They know me. They know my son, and some of them even ask about my car (I'm fine, my son's fine, but the car, alas, is a goner). But anonymous clerks? Who wants to tell them? Buzz off.

I'll give you a variation of this false sincerity. "Hi, I'm Jim," the waiter says. Can I say, "Who cares what your name is, fella? Just bring me a drink." No. I have to treat him like a friend, a pal. "Hi, Jim. How-are-ya? Richard's the name, journalism's the game. My sign is Aquarius. Sit down, Jim. Can l bring you something?"

The little lies, the squalid little pre-tenses, add up. It's like a drizzle of

insincerity —an entire nation trained to be Marriott hostesses, millions and millions of faceless people asking me over and over again how I am. I'll tell you how I am. I'm sick and tired of being asked the question. I want the entire country -- every man, woman and child to go back to saying "Hello." Hello, hello! Is anyone listening?

Washington Post Writers Group.



### The three-engine Falcon 50 and 900. Executive jets as safe as airliners.

Of course you could stick with comparing openg ranges, cruising speeds, usable cabin space 1 the soundproofing of other private jets. Which, between us, would only again highlight the rantages which are the strength and reputation

he Falcon the world over. But the comparison stops there for one very ple reason. The Falcon 50 et 900 have three

Use of a third engine positions both of these air-It at the very strictest level of safety, that imposed

on airliners making overwater flights via the shortest routes. This provides the aircraft with additional power always at the ready for the systems which ensure your comfort and safety.

To understand the essential role, vital in the power factor, especially when flying over inhospitable

zones, just

keep in mind the importance of the on-board electronics of a long-range aircraft.

Objectively speaking, the security offered by the three-engine Falcon is comparable to that of commercial airliners, not of other corporate jets in their class. This is of course why executives prefer the Falcon 50

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### Foreigners' Expulsion Signals **Prague Harshness on Activists**

By John Tagliabue New York Times Service

WARSAW - The expulsion by Czechoslovakia of 32 foreign participants at a human rights conference indicates an increasingly harsh atmosphere in Prague toward independent movements for human rights and other causes.

The foreign participants, including six Americans from a New York organization called the Campaign for Peace and Democracy. were detained Saturday morning, held for about six hours and ordered to leave the country. The

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NDRA, 10, Rue du Cdl. Rivière (8e) (St. Philippe du Roule). 43.59.46.40 VISHNOU, 11 bis, Rue Volney (2e) (Opèra). 42.97.56.54 & 42.97.56.46

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Refined cooking, 1988 Goult-Millou (14/20, I Chef's cool, business manu ( dining menu (FF 180) & menu. 30 i Bernardira. Tel.: 43.54.21.13.

of the famous Dublin Pub located 50 from Pl. Vendome. The French home in Coffee and excellent drought beers. days, 10 R. Capuones, T., 40,15,08,08.

They had been taking part in discussions organized by the hu-man rights organization Charter 77 and the Independent Peace Council, a Czechoslovak anti-war group.

The meetings were the fourth in a series that have been convened in Eastern Europe by independent anti-war groups from East and West in recent months. Earlier gatherings took place in Budapest, Warsaw and Moscow.

The Prague conference was the

PARIS 5th

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per. Rusian atmosphere with Ludwi zusians in charming surroundings. François-1<sup>67</sup>, Tel., 47,20,60,69.

nal cuisine. Specialities, warm fait ith blueberries, fish and Partogrus ling. 20, Rue de l'Exposition, Pans. Tel.: 45.51.79.96.

-Dining Out-

authorities also detained as many first to be disrupted by government

The Czechoslovak authorities have stepped up their activities in recent weeks against independent organizations like Charter 77.

The Communist Party news per. Rude Pravo, published an editorial timed to coincide with the close of the Moscow summit meeting in which it denounced the activities of independent groups it said were supported by Western govern-ments to destabilize East bloc

Joanne Landy, one of the American participants at the buman rights conference, said plainclothes and uniformed police officers raided the apartment of Jan Urban, a member of Charter 77, on Saturday morning and rounded up partici-

pants in the meeting.

Ms. Landy said that on Friday the police had raided another apartment in Prague, disrupting a similar meeting and detaining about 20 Czechoslovak organizers.

"We asked the police what law we were breaking, discussing at the grass roots level the same issues that Gorbachev and Reagan discussed at the summit," she said by telephone from Vienna on Sunday. "But they never gave us an an-

By Sunday afternoon, it was understood that the detained Czechoslovaks had been released. Among those held Saturday were

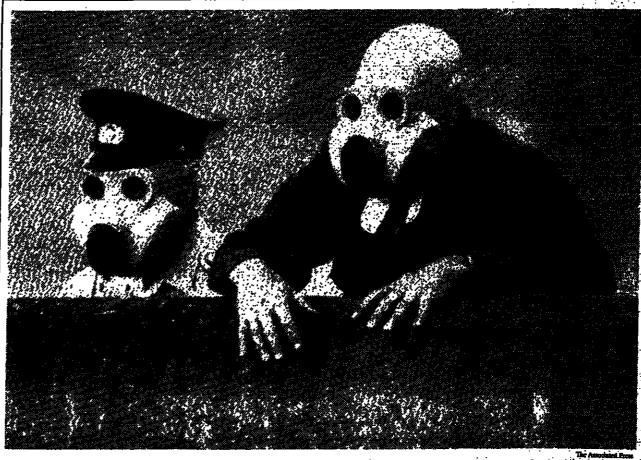
numerous signers of Charter 77, including their spokesmen, Milos Hajek and Stanislav Devaty. One of the purposes of the twoday gathering was to discuss a proposal for a European peace parliament, comprising anti-war and human rights organizations, to discuss such issues as the promotion of human rights, conscientious objection to military service and the role of the military in both Eastern and Western societies.

Participants at the meetings came from 15 countries, ranging from West European countries, including Britain and Italy, to neutral countries such as Austria, Switzerland and Sweden, and East European nations, including Hungary, Yugoslavia and Czechoslovakia.

#### Bahrain Has First Talks With Moscow's Envoy

BAHRAIN --- Bahrain on Tuesday held its first official talks with the Soviet Union, the Foreign Ministry said.

Moscow's ambassador to Kuvait, Ernest Zverev, discussed with the emir of Bahrain, Sheikh Isa bin Sulman al-Khalifa. Soviet views on ways to end the Iran-Iraq war and



RIOTS AT THE WALL — East German border guards wear masks to protect themselves from tear gas used by West Berlin police to quell rioting near the Berlin Wall by a group of squatters, who were protesting plans to construct a road near the Potsdamer Platz.

### U.S. Dubious About Its Data on Pakistan

By David Ottaway

Washington Past Service
WASHINGTON — Administration officials are concerned about the quality of intelligence they have been receiving on recent fast-breaking events in Pakistan and Afghanistan and debating whether to send a special U.S. envoy to serve as liaison with the Afghan resistance to improve it. Since the start of the resistance's

struggle against the Soviet occupa-tion in late 1979, sources said, President Mohammed Zia ul-Haq of Pakistan and his interservices intelligence unit have had a near-total control over contacts, intelligence and the amount of U.S. arms flowing to the various Afghan rebel

Many U.S. officials now privately acknowledge that the United States has been far too dependent on Pakistani intelligence for information about internal Afghan rebel politics, and probably on General Zia's own assessment of internal Pakistani developments as well.

Long-standing concern about this problem has become the subject of active debate inside the administration, prompted in part by General Zia's surprise decision May 29 to dissolve his government and Parliament and in part by pres-

Senate Majority Leader Robert C. Byrd, a West Virginia Demo-crat, and Minority Leader Bob Dole, a Kansas Republican, Wednesday wrote a letter to Secretary of State George P. Shultz urging him to appoint an ambassadorat-large to monitor Afghan rebel activities and coordinate U.S. policies. The two Senate leaders made it clear they were ready to hold up confirmation of "a number of worthy ambassadorial nominees" unless Mr. Shultz names such a spe-

At the center of the debate inside the administration is Arnold L. Raphel, the U.S. ambassador to Pakistan who has a reputation as one of the State Department's brightest and most effective career diplomats. Questions about Mr. Raphel's reporting were intensified af-ter General Zia's sudden decision to fire his prime minister, Mohammed Junejo, and dissolve Parliament

Officials said that this came as a total shock to the State Department, which had no advance warning he was about to make such a

The department's surprise was all the more acute because Mr. Raphel was with General Zia only a few hours before he announced the decision. But Mr. Raphel reported-ly did not even pick up a hint of what he was about to do.

by General Zia and his closest associates for an assessment of the in-

However, Representative Charles Wilson, a Texas Democrat, who just returned from Pakistan, defended Mr. Raphel's performance. He said General Zīa's decimore than three of General Zia's closest confidants knew beforehand of his intentions.

Some sources said the problem bassy in Islamabad, reflecting the general attitude at top echelons of the State Department, was not anxious to find signs of trouble in Pakistan's experiment with democracy because its supposed success has been a major selling point in seeking congressional support for bil-lions of dollars in U.S. aid.

One of the recurrent problems, sources said, has been Pakistan's efforts to build a nuclear bomb with materials bought secretly in the United States, even while General Zia and Mr. Junejo were assur ng the Reagan administration that it had no such intentions.

General Zia is regarded at the State Department and White House as one of the United States'

sures from Congress for closer di-rect U.S. relations with the Afghan resistance.

of its best diplomats may be suffer-ing a case of "clientitis," depending too much on information provided

abrupt decision to dissolve Parlia-ment are posing serious new policy problems for the administration. ment are posing serious new policy problems for the administration.

In addition, General Zia has ap-parently done little to crack down on the thriving drug trade inside Pakistan, a fact that could force a reduction in U.S. aid. But the administration remains

reluctant to upset U.S.-Pakistani relations over these issues while Pasion to fire Mr. Junejo came like "a kistan continues under the threat of bolt out of the blue" and that no Soviet or Afghan government retaliation. The threat is becoming daily more acute, according to Mr. Wilson and several U.S. officials, because of General Zia's continuwent much further than Mr. Raing strong support for the alliance, phel. They said the whole U.S. Emincluding the uninterrunted flow of U.S. arms to the rebels.

Both Soviet and Afghan government officials have repeatedly accused Pakistan of blatant violation of the April Geneva accords on the Soviet troop withdrawal. They also stipulate that Pakistan must stop all assistance to the alliance from

Some U.S. officials are arguing there is no diplomatic need for a special envoy because the U.S. Consulate in Peshawar already fulfills that duty.

#### French Test Nuclear Device

WELLINGTON, New Zealand closest strategic allies. But his - France has tested a small nuclestrong support for the most radical ar device at Mururoa, the 98th in a ndamentalist among the series of underground tests on the There is the suggestion in some Afghan alliance's seven leaders, South Pacific atoll, New Zealand State Department circles that one Gulbuddin Hekmatyar, and his scientists said Tuesday.

Italy's second biggest party for most of the period since World War IL But its support has declined steadily over the last decade under pressure from the Socialists of the

former prime minister. Bettino Craxi. It is also suffering from the debilitating effect of 40 years in opposition and from a failure to update its image in the face of changing more affluent Italy.

The Socialists seem poised to topple the Communists from their

Communists

In Italy Elect

**Chief From** 

Party's Left

ROME — Italy's Communist

the biggest Marxist party in the West, elected Achille Occhetto, a

member of the party's left wing as their new leader on Tuesday to tackle a sharp sharp in their sup-

Party officials said their central

and control committees had over-

whelmingly elected, Mr. Occhetto.

52, to replace Alessandro Natta,

70, who is sick and resigned on

There were only three votes

against his election, all from the

party's right wing, and five absten-

tions among the 286 members of the two committees, the officials

Mr. Natta, who is recovering

from a heart attack, resigned after

the Communist Party suffered its

worst defeat in 35 years in local polls at the end of May. Its share of

the vote slumped to just under 22 percent, five points down on general elections a year ago, in which it

had already experienced a sharp

The Italian party has long been

the biggest Communist grouping outside the East bloc and has been

June 13.

traditional leadership of the Italian left after the gap between the two parties in last month's local polls narrowed to less than 4 percent The difference was 25 percent : decade ago. After the Communists' peor showing in the general election in

June, Mr. Natta designated Mr. Occhetto as deputy secretary and future leader. Since last July, he has effectively led the party because o Mr. Natta's illness. He was the only candidate in the leadership elec

In the past year, Mr. Occhetto has overcome trenchant opposition from the right wing.

Earlier in the central committee meeting, he promised new open-ness in the party. He said the Communists would present a clearer more incisive opposition to the five-party Italian government. The coalition is made up of Christian Democrats, Socialists, Liberals, Social Democrats and Republicans.

The new leader, who has represented a district in Sicily in the Chamber of Deputies since 1976. added: "Nobody should think that we want to discourage or restrict discussion, but everybody must play their part."

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France	ŗ.F.	1,600	37	880	. 31	480	25
Germany*	D.M.	600	39	330	33	182	26
Gr. Britain	£	135	38	74	32	41	25
Greece	Dτ.	25,000	47	14,000	41	7,700	35
Ireland	£Irl.	155	43	85	38	47	31
Italy	Lire	400,000	39	220,000	33	121,000	26
Luxembourg	LFr.	11,500	37	6,300	31	3,400	25
Netherlands	FL	660	40	365	33	200	27
Norway (air)	N.Kr.	2,000	39	1,100	33	600	27
—**(hd. del.)	N.Kr.	2,500	24	1,400	15	700	15
Portugal	Esc.	26,000	51	14,300	46	7,900	40
Spain (air)	Ptas.	31,000	41	17,000	36	9,400	29
— (hd.del.)	Ptas.	45,240		22,620		11,310	
Sweden (air)	S.Kr.	2,000	39	1,100	33	600	27
**(hd. del.)	Skr.	2,500	24	1,400	15	700	15
Switzerland	S.Fr.	510	44	280	38	154	32
Rest of Europe, Africa, Middle I	N. Africa Bast \$	, former Fr. 470	Varies	260	Varies	145	Varies
Rest of Africa, C Asia	Gulf State	620	country	340	country	190	country

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### CIA Profiled Waldheim in 1970s

WASHINGTON - Somewhere in the files of the Central Intelligence Agency there is a psychiat-nic profile of Kurt Waldheim dating from the 1970s, when he was secretary-general of the United

The study was made by a psychiatrist who was dispatched to New York by the agency in 1973 and temporarily attached to the United States UN delegation whose chief delegate was then George Bush, now the vice president, according to a highranking former government official.

The official said the unusual arrangement came about when the CIA requested that the American delegation assist the psychiatrist in making it possible for him to observe Mr. Waldheim at close quarters, "including the cocktail circuit," for sever-

Mr. Waldheim, now president of Austria, became secretary-general in 1972 and remained at

the post for 10 years. The psychiatric study long preceded the exposure of Mr. Waldheim's activities in World War II as a German army lieutenant who was at the scene of war crimes in the Balkans.

He is now on a list of foreigners barred from entering the United States.

The CIA has long refused to make public any information from its files on Mr. Waldheim and declined comment on the psychiatrist episode.

But specialists on Mr. Waldheim's case have said there is strong reason to believe that the agency, along with the intelligence services of the Soviet Union and Yugoslavia, had a long association with the Austrian, perhaps for as long as 41



Kurt Waldheim

### Pinochet's Shadow Burdens Chile's Press

By Shirley Christian New York Times Service SANTIAGO - When Juan Pab-

lo Cardenas, a magazine editor, checked in recently for his usual night in jail under a sentence for offending the military, he was arrested on another charge and taken

lems reflect the fact that the govermment of President Augusto Pinochet still has the power to arbitrarily punish those who do so. Mr. Cardenas, editor of the weekly magazine Análisis, is the most celebrated of the 28 journalists charged or serving sentences for things they have written or published. Most, like Mr. Cardenas, are being or have been processe by military courts on charges of

The great majority are free on bail while fighting their cases, with only Mr. Cárdenas currently serving a sentence on conviction.

offenses to the armed forces.

On July 8, Mr. Cárdenas will have completed a year of his 541night sentence for an editorial he wrote two years ago describing the Chilean Army as "the army of oc-cupation of Pinocher" and asserting, among other things, that the Pinochet government was repressive and lacked civilian support.

But throughout his sentence, which he serves by sleeping in jail most important role to be a from 10 P.M. to 7 A.M., he has implement rights abuses. continued to go to his office daily

Ouring nearly 15 years of miliand edit the magazine. In midtary government, Chile has experiwhether to extend General Pinoto jail visitors are not allowed in

of helicopters and other military a wide range of other control mechquipment from France, South Af-ca and Israel. Under the constitution's so-cal parties, General Pinochet, his called transitory laws, which gov-advisers and numerous campaign equipment from France, South Af- anisms at its command. rica and Israel.

in Valparaiso, the port city that is ern the country during what is seen the home of the Chilean Navy, had as a period of transition to democthe home of the Chilean Navy, had Mr. Cardenas arrested on May 25 when he showed up for his night at the jail in Santiagon and the content of the public at the jail in Santiagon and the content of the content the public at the jail in Santiagon and the content the public at the jail in Santiagon and the content the public at the public at the public at the jail in Santiagon and the chilean press now is functioning freely and that the public is up of new publications and can getting all the information it needs rie spent the next five days de-climate the press appears to be publishing anything it might want to publish, Mr. Cardenas's prob-lems reflect the foot that it.

During nearly 15 years of military government. Chile has experienced only brief periods of prior censorship, but the government has a wide range of other control mechanisms at its command.

sick when that issue of the maga- charging journalists with offenses zine was prepared. He was freed to the armed forces than was possiand the assistant editor. Fernando ble under civilian governments. Paulsen, was arrested. Mr. Badilla and Mr. Paulsen now are seeking to case the application of these

25,000 to 40,000, identifies himself to the political opposition began to freely as an opponent of General publish. Several of the most lis-Analisis was "to collaborate in the independent of the government. establishment of a democratic re- Television, although largely govgime" and that he considered its ernment-controlled, also has begun

Cárdenas had been out of the office have been much more aggressive in In 1983, the government began

release on bail.

Mr. Cardenas, who estimates the like Analisis proliferated. In early readership of his magazine at 1987, two daily newspapers linked to the political composition began to

most important role to be publiciz-ing human rights abuses. to open itself to opposition views. With Chileans expected to go to

Foreign Minister Ricardo Garcia said during a recent conversa tion with foreign journalists that the Chilean press had "all the rights

to inform but not to injure." He said the fact that 28 journalists were in some stage of legal process had nothing to do with the electoral campaign and did not interfere with coverage of it. The charges against them, he said, could have been made at any time.

Another prominent editor identified with the opposition, Emilie Filippi, recently won a four-year old case brought against him by military prosecutor. A charge of offenses against the armed forces was overturned by the Supreme Court in a case in which the maga zine Hoy distributed chapters of a book by a former political prisoner.

Mr. Cárdenas, 38, has attracted broad international attention with his nightly sojourns to jail. Many nights, he arrives for check-in surrounded by colleagues, other sym-Pinochet. He said the objective of tened-to radio news programs are pathizers, television crews and photographers.

Earlier this month, the America playwright Arthur Miller and ill poet Rose Styron left a dinner a the home of the novelist Jorge Ed April, Analisis carried an article enced only brief periods of prior chet's tenure for eight more years, side the jail, but must leave him at about the armed forces' purchases censorship, but the government has International Herald Tribune Special Financial Report



Wednesday, June 22, 1988

## Luxembourg's New Challenge

### N THIS REPORT

#### nvestment

he October stock market fall has not slowed ie boom in Luxembourg's investment funds

#### nsurance

Forts to establish the Grand Duchy as a inter for captive insurance companies ap-iar to be paying off with 67 reinsurance prives now registered in the country.

#### Private Banks

**In West Hestings** L.

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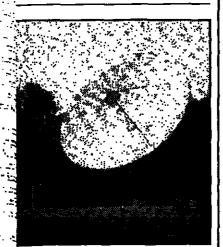
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nembourg is trying to attract middle-ealthy private banking clients by emphasizg its lower fees and tax advantages.

#### Vordic Banks

andinavian banks represented in Luxemorg are seeking to win over the wealthy by oviding improved and more specialized



#### conomy

exembourg's concentration on special marenter for a satellite-based television indus-

### Tax Policy Survives **Ministerial Review**

'Harmonization of tax policy is no longer an issue. It won't happen.'

#### By Edward Roby

RANKFURT - Key cabinet ministers of the European Community concluded their recent meeting in Travemunde amid scant public intheir home countries - except in Luxembourg, where the future of Europe's No. 3 international financial center hung on the

The Travemunde ministerial meeting was only a preinde to the EC summit in Hannover, where crucial decisions were expected on the economic integration of 12 West European countries. But for Luxembourg it turned out to be a victory that could make even the

coming summit meeting anticlimactic.

The ministers decided against making uniformity in taxation policy a prerequisite for achieving the EC's 1992 goal of internal market integration with unrestricted capital transac-tions across borders. This should permit the Grand Duchy to retain many of the advantages that have attracted around 112 foreign banks, including the dominant contingent of 30 from West Germany.

Jacques Santer and Jacques F. Poos, the top government ministers who also handle finance and foreign affairs, briefed members of the banking community on the good news from Traverninde. The EC ministers agreed, bankers were told, that there would be no linkage of taxation with liberalization as long as Luxembourg and Britain opposed this.

"Tax harmonization is no longer an issue. It won't happen," said Ekkehard Storck, manag-ing director of Deutsche Bank Luxembourg the center's leading foreign bank.

There's no linkage between liberalization and taxation. They are two different things." concluded Hans-Ludwig Jordan, managing director of the Luxembourg Bank für Gemein-

wirtschaft. "That means: no disadvantage for the financial center, no inspections and banking secrecy remains intact."

The German bankers in Luxembourg insist their financial center has so many built-in advantages—ranging from infrastructure and location to expertise and sensible banking oversight - that no one is interested in creating a tax casis in the heart of the EC. They prefer to stress the obvious benefits Luxem-bourg banks derive from unfettered money

"I think the Luxembourg government itself will avoid letting it become a tax oasis," said Volker Burghagen, managing director of Com-pagnie Luxembourgeoise de la Dresdner Bank AG, which began doing business in the Grand Duchy 21 years ago as the first German Euro-bank. "One cannot make the neighbors envi-

This won't be easy, judging from what has just happened in West Germany where the government stummed bankers, investors and small savers by unveiling plans for a 10 percent quellensteuer, a tax on interest earnings at their source. The German banks in Luxembourg now find themselves among the principal bene-ficiaries of the ensuing flight of capital from the home country.
"It's no secret that there has been a capital

movement of some size out of West Germany," Mr. Storck said. "This money is seeking investment in Luxembourg and also in Switzerland,

partly because of uncertainty."

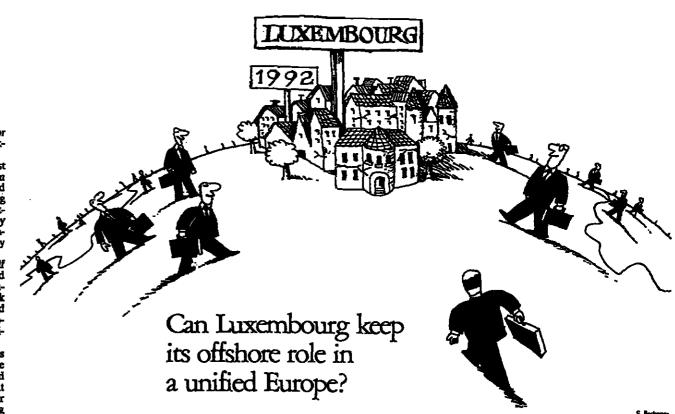
German bankers, convinced that the quellensteuer apparatus could cost as much money as it generates while damaging banking confidentiality, suspect their government might re-consider the idea. But the development comes at an opportune time for Mr. Storck's bank, which began for the first time last year offering its services to wealthy private customers.

The bank last year also launched a bond investment fund called Eurorenta that is already managing assets that have reached 4 billion Deutsche marks (\$2.3 billion), making it the fifth largest of its kind in West Germany.

Mr. Storck said the new private banking business, which has been intensively advertised in West Germany, has attracted between 1,300 and 1,400 customers, each with a minimum deposit of 500,000 marks, and he described business so far this year as "very good."

Private banking and the associated proliferation of investment funds have become an important growth impulse for the Luxembourg

Continued on page 8



### 1992 vs. Competitive Edge

#### By Madlyn Resener

UXEMBOURG -- As a founding member of the European Community, Luxembourg, with a population of 380,000, has long been among the most enthusiastic supporters of a unified En-

But as a banking center, Luxembourg has gone its own route; for the past two decades it has attracted banks with special incentives, such as a low reserve remirement, and lured investors with its lack of a withholding tax on capital gains and its bank secrecy laws, the

tightest in Europe.

Now, Luxembourg is facing the question of how to go along with European Community plans to set up a frontierless European market by 1992 and at the same time keep its special role as an offshore banking center within the

The official line in Luxembourg is that 1992 can only bring good things to the country. Now

are being abolished and Europeans can place their money wherever they like, say bankers and government officials, more money will flow into Luxembourg because of its sophisti-cated banking and financial expertise.

There is some truth to this argument, but it isn't the whole story. The stickler for Luxembourg is that EC ministers in Brussels are considering a range of proposals that could make Luxembourg a decidedly less attractive place for investment.

One is for a pan-European effort to crack down on tax fraud either through the imposition of a universal withholding tax or through new pressures on banks to disclose information about their clients. Another is a possible value added tax on gold transactions, which Luxembourg, alone among the EC member states, does not currently have.

Such changes would shake the foundation of banking in Luxembourg. Though bankers and government officials deny that their country is tax haven, the fact remains that Luxem-

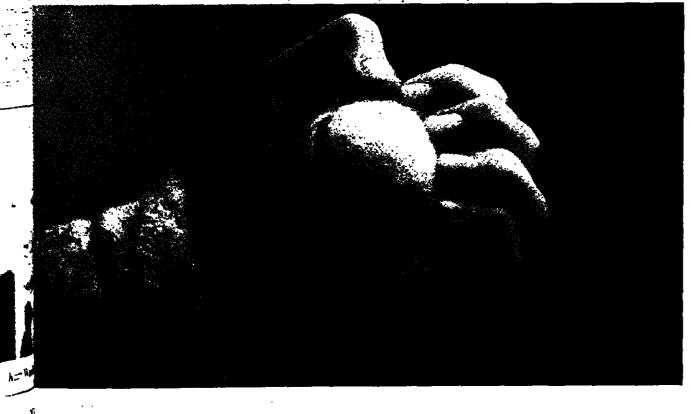
bourg's tight secrecy laws help attract invest-ment. And the country is not likely to give them up without a fight,

Treasury Director Jacques F. Poos said bank secrecy is guaranteed by Luxembourg law and has recently said that the government does not plan to weaken it. "For years there have been attacks on our law and there will continue to be attacks. But we believe that bank secrecy as it is practiced here conforms to concepts of democacy and liberty better than more coercive and bureaucratic systems," he said.

He added that this doesn't mean Luxembourg isn't ready to cooperate more closely with other European authorities in cases of suspected criminal banking activity, but that Luxembourg will never agree to compulsory disclosures on bank accounts.

As for a withholding tax on interest, that, too, is out of the question, Mr. Poos said. He noted that any harmonization of tax rules will

Continued on page 9



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During the 1987 financial year Banque Internationale à Luxembourg once again recorded a sharp increase in its balance sheet and results.

The balance-sheet total amounts to Flux 369,887 million as compared to Flux 320,210 million in the previous financial year; this represents an increase of 15.51 %. Within this, it is appropriate to draw attention in particular to the growth in customer deposits of 22,38 % in this the Bank's 131st financial year.

As regards net profit, after allocations to provisions and depreciation, BIL recorded a rise of 32.29 % as against 28.20 % in 1986 and, for the first time, broke the barrier of 1,000 million Luxembourg

This sharp rise in net profit was achieved after making substantial allocations to provisions. Among the latter, provisions for risks in respect of countries experiencing balance-of-payments difficulties are now far above the international

The dividend per share increases by 13 %, from Flux 380 to 430, and applies to a capital which was increased by 14 % in 1987.

Our subsidiaries in Singapore and Lausanne as well as our branch in London largely contributed to the bank's expansion.

Through the representative offices in New York, Frankfurt and Tokyo, BIL has been able to strengthen its contacts with the most important financial centres in the world.

	1985	1986	1987
Balance-sheet total	279,300	320,210	369,887
Customer deposits	205,875	235,350	288,010
Deposits of banks	42,825	49,573	43,689
Customer advances	65,658	78,638	82,567
Own resources, provisions and borrowed capital	18,923	23,624	27,050
Gross cash-flow*	4,221	4,582	4,363
Net profit	645	827	1,094
Distributed profit	357	472	607
Net dividend per	fr. 335	fc 380	fr. 430

Key figures for the 1987 financial year

in millions of francs

1 £ = 65,95 Flux (May 6th, 1988)

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\*) Net profit plus taxes on profits plus depreciation and provisions less



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### RESULTS THAT SPEAK FOR THEMSELVES

Millions of francs	1985	1986	1987
Balance sheet total	262,805	297,151	339,019
Total customers' deposits	166,112	18 <del>4</del> ,408	219,324
Due to banks	68,205	77,294	81,300
Loans and advances	56,998	60,660	64,356
Own funds and provisions (1)	17,212	19,894	23,106
Cash-flow (gross) (2)	3,881	4,283	4,564
Net profit for the financial year	556	646	. 751
Dividends	231	265	330

(1) Including loan capital (subordinated loans)
(2) Net profit, taxes and allocations for depreciation and provisions released

Banque Générale du Luxembourg, one of Luxembourg's largest universal banks, continued to expand steadily during the 1987 financial year. It consolidated its strong position in the domestic market while at the same time successfully developing its international

Customers' deposits increased at an even faster rate than in previous years. A growing number of investors sought the advice of the Bank's portfolio management specialists for the investment of

Numerous collective securities investment undertakings chose Banque Générale to act as domicile, accounting and administrative agent and depositary for their assets.

Banque Générale continued to play a key role in the Luxembourg capital market managing six public bond issues and thirty-two private placings. In the international bond markets it strengthened its position as a member of issuing syndicates and as paying agent and market maker on the Luxembourg Stock Exchange. In this capacity the Bank was called upon to handle 250 new bond issues in 1987.

The Bank remained an active participant in the secondary market in Euro-bonds, especially for a substantial number of issues denominated in ECUs, thereby helping to maintain the liquidity of

The Bank's securities trading activities showed remarkable growth in the wake of the upheaval in the stock markets. The securities department were able to satisfy customers' requirements at all times during the turmoil of those events.

With a view to 1992, Banque Générale du Luxembourg has accentuated the international character of its network by opening a representative office in Frankfurt. The Hong Kong office gives the Bank access to the rapidly growing markets in the Far East. Banque Générale du Luxembourg (Suisse) celebrated its fifth anniversary with a further year of expansion.

The Bank increases its share capital at regular intervals. In this way it ensures its future growth while at the same time preparing itself for the advent of the large internal market within the EEC.



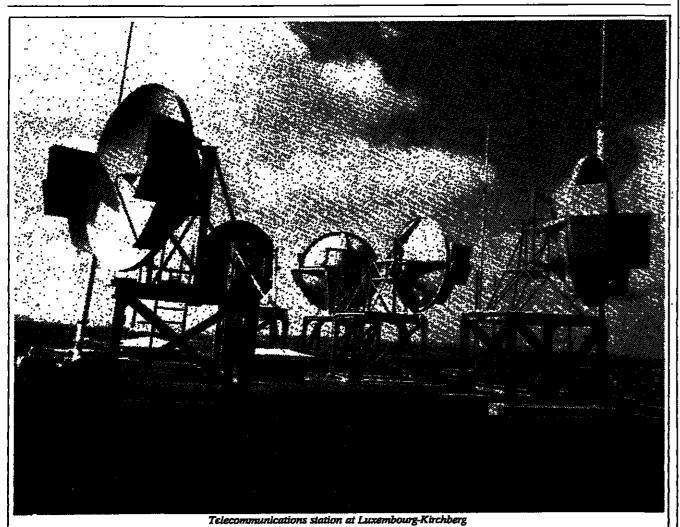
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#### **BfG:Luxembourg** Société Anonyme

### Funds Draw Interest Outside EC

By Madlyn Resener

UXEMBOURG — Last October's crash on world slowed the boom in Luxembourg's investment-fund business; if anything, the pace has

The number of funds registered in Luxembourg rose from 382 in November to 472 in June, and the pile of applications at the Luxem-bourg Monetary Institute has grown to 122. About 33 applica-tions, from Japan and EC coun-

tries, should be approved soon.
On average, the Institute receives 12 applications a month from promoters hoping to set up shop in the Grand Duchy. And Treasury Director Jacques F. Poos sees investment funds as one of the major growth areas of the next

Compared to funds elsewhere, Luxembourg's funds did not suffer much in the crash, primarily because more than half are invested in bonds. Just how badly they were hit is hard to determine. According to Institute figures, total assets of the funds fell 10 percent in November. Today, fund assets exceed \$34 billion.

Funds registered in Luxembourg enjoy some key fiscal advantages. They are not subject to income tax and pay only a one-time registration tax of 50,000 Luxembourg francs (\$1,388) plus a yearly charge of 0.06 percent on net assets invested. There is no turnover tax on se-

curity transactions, and funds are permitted to invest in a large variety of assets — from money mar-ket instruments in various currencies, financial futures, energy, technical innovation and venture capital, and real estate development. In addition, the funds have a legal status, which means they can be quoted in stock exchanges.

With such incentives, it is not surprising that nearly all the banks in Luxembourg either have funds in place or are planning to establish one this year. The new emphasis on private banking in the financial sector has made banks especially keen to find ways to manage this new bulk of assets effectively and economically, and one way is to group smaller inves-tors into funds.

Poul-Erik Beck-Sorensen, general manager of Den norske Creditbank, said, "Investment funds are an interesting tool, especially for the small investor because he can get higher returns."

But the real reason for the interest in Luxembourg is a forwardlooking update this year to the law governing the funds. It not only sets clear guidelines but also states that any fund registered in Luxembourg will be able to market into other markets in the European Community as of fall 1989.



The Luxembourg Stock Exchange.

This gives Luxembourg a dis-tinct advantage over non-EC financial centers, such as the Channel Islands, and it makes Luxembourg particularly attrac-tive to banks in non-EC European countries, which hope to use Luxembourg as a springboard into other EC markets. Crédit Suisse and other major Swiss banks are running important investment funds out of Luxembourg.

Fastest-growing among the funds are the Societes d'Investissement à Capital Variable (Sicavs), limited liability companies with variable share capital and one of three distinct investment vehicles recognized by the 1983 law that established a framework for the operation of funds and provided some tax incentives for them. (The other two groups are the Fonds Communs de Placement, similar to a U.K. unit trust or U.S. mutual fund, and a general category lumping together all companies offering securities or other instru-

ments of collective investment.) Sicavs are more flexible than other funds because their shares can be bought and sold without shareholder approval. From December 1986 to December 1987, the number of Sicavs registered with the Luxembourg Monetary Institute doubled from 110 to 222.

According to Opal Statistics
Ltd., a London-based fund analyst the best-performing offshore fund over the past year was the Luxembourg-domiciled Japan Opportunities Fund, one of 17 funds grouped under an umbrella called Mercury Selected Trust-Japan Opportunities Fund.

It is dollar-denominated and invested entirely in 22 smaller Japanese capitalization stocks. The fund was up 48.1 percent in June over June 1987, due in part to the spectacular growth of these stocks on the Tokyo exchange. With assets of \$380 million, the fund is registered at the Banque Internationale à Luxembourg but managed from S.G. Warburg's Tokyo office, according to a director of Warburg Asset Management in

Luxembourg has remained primarily a place of incorporation for funds that are actually managed by fund directors elsewhere. Mercury Selected Trust, for instance, run out of S.G. Warburg in London. These funds choose to register in Luxembourg because of its tax advantages, but also be-cause it is one of the few countries that has a legal concept of umbrella funds or Sicavs.

But this use of Luxembourg just for domiciling may be about to change. Luxembourg authorities have drawn up a directive that would require the central administration and control of funds to be in Luxembourg. Fund directors are still negotiating with the Luxembourg Monetary Institute to see exactly how this will work, but many British fund operators, in particular, are worried, since they now use their offshore office in the Channel Islands to administer and manage their funds.

One asset management group, which is probably typical of others, estimates that it would be required to transfer its staff of 20

persons based in Jersey to Lin bourg, if other arrangements, as subcontracting the work
Luxembourg institution, car be worked out.

"Luxembourg may have sh self in the foot on this one"# London-based director. Banks in Luxembourg hon

er, are eager to take on more sponsibility for managing fun-Kredietbank S.A. Luxemb geoise, which keeps the book dozens of funds, is negoting with several Spanish banks want to organize a Luxembo based fund but do not har long experience in fund man ment of British fund open said Damien Wigny, Krei bank's executive director, and

management skills. "To increase the credibility Luxembourg as an important? ter for investment funds, we lieve it is important not only administer but also to make them, because then we can to be a real center, not just alk. en business," he said.

dietbank hopes to offer its

Such change may come just time since other European ces could soon become as flexible Luxembourg in order to att .... the lucrative funds business.

An unexpected rival could c from Dublin. According to a }: don fund manager, the Irelanc dustrial Development Authori gearing up to attract new ! business by sending out broch touting Ireland's climate for fir cial investment and offering cial tax breaks on funds.

### Tax Policy Survives Early Reviet consor

Continued from page 7

financial center. The funds are positioning themselves for the start of an integrated unitary market that will let them operate anywhere in the EC after October 1989, and the number of funds established in the Grand Duchy grew accordingly to 405 at the start of this year from only 269 in 1986. Fund assets now exceed \$34 billion.

The Bank for International Settlements reported that the combined foreign currency assets of the 127 Luxembourg banks increased by \$27 billion to \$155 billion in the year ended Last September, maintaining the Grand Duchy's No. 3 position among Europe's inter-national financial centers with a 10 percent share of the European segment of the Euro-

The German banks, which account for close to 40 percent of the center's foreign assets, also make Luxembourg the leading Euro-DM center. Worldwide, the U.S. dollar dominates the Euromarket with a share of 75 percent compared with only 8 percent for the Deutsche mark. But Eurodollars make up only 36 per-cent of the Luxembourg center's foreign assets. Bankers cite signs of a revival in the Euro-

lending business and an upsurge of issuing activity in bonds denominated in Luxembourg francs as other trends that are influencing the center's business New volume of Luxembourg franc issuing was up 24 percent last year to the equivalent of 2.7 billion marks. Jitters over interest rates and the dollar exchange rate, meantime, led last year to a decline in Eurobond issuing volume that started with a collapse in the market for dollar-denominated floating rate notes and acquired a new accent with the equity market

crash last Oct. 19. The dollar's share of Eurobond issue volume slid to around 40 percent last year and just over 36 percent the first quarter of this year from 63 percent in 1986; while the mark, with an 11 percent share last year and close to 18.6 percent in the first quarter, and the yen, with 16 percent in 1987, grew in importance. Eurobond issuing volume dropped by nearly a quarter to \$141 billion in 1987.

Consortial credit, as the obvious alternative to the discredited FRN's, simultaneously surged to \$89 billion from \$53 billion in 1986 in volume of new loans.

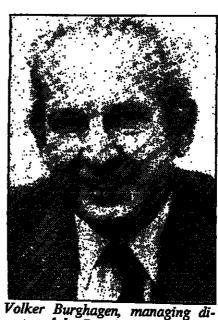
"Some speak of a renaissance of the Eurocredit business," said Mr. Storck, who named a couple of large East-bloc loans and corporate credits in which his bank led the syndication. His bank's credit volume, however, in step with the 19 percent decline in the value of the dollar against the mark, dropped by 15 percent last year to 14.8 billion marks, and assets slipped 2.1 percent to 23.6 billion marks.

Mr. Burghagen, whose bank's assets dipped to 18.8 billion marks from 19 billion marks in 1986 amid stagnating credit volume, said the revival of the Eurolending business is a trend that will take some time to become visible in the bank balance sheets.

Commerzbank International S.A., however, was able to report a 12 percent increase in its lending business to 9.2 billion marks with assets just slightly higher at 17 billion marks.



The Compagnie Luxembourgeoise de la Dresdner Bank, the first We German bank in the Grand Duchy, has been in Luxembourg for 21 yea



rector of the Dresdner Bank.

Operating earnings rose 8 percent as higher dealing profits offset weaker net interest in-

The underworked tax collectors of Luxembourg got a big surprise this year when a few of the big German banks announced they planned to repatriate a dividend for 1987 to their foreign parent institutions. Dresdner paid a 20 percent dividend, or 32 million marks, after reporting operating earnings of 240 million marks.

The Deutsche Bank unit paid its first ever dividend of 37 million marks although 1987 operating earnings had dropped 20.7 per or 230 million marks. Bank für Gemeinsch Luxembourg said it remitted an 8 percent à

The new phenomenon of repatriating prits, and thus paying taxes, suggested that banks have now built up comfortable reserved. against souring loans. Mr. Burghagen three straight years, 1985-1987, of excel profits permitted the Luxembourg banks

offset lending risks with provisions.

In view of interest rate trends and Ti World debt that has inched up to around trillion, the German bankers expressed pe mism about prospects for solving the sover debt problem any time soon. But they said their banks' risk provisions, which are conditated globally, were appropriate, if not said

The banks also complained that Eurole ing conditions, despite rising credit demi worsened last year with the average man estimated by the Organization for Econo Cooperation and Development for midd and longer-term Euroloans slipping to ( percent amid intense competition and h

liquidity.
Mr. Storck, whose bank is particular business. strong in the international credit business, 1 the Deutsche Bank unit would continue

strengthen its position this year. "We is expect to raise earnings," he added.

Mr. Burghagen said Dresdner, on the ba of the first five months, was off to a "very \$ start" in 1988 and that earnings were rust "higher than last year's." He said the bank performing extraordinarily well in all its # businesses, including credit, private bank and trading in currencies and securities.

EDWARD ROBY is the English language (: tor of Vereingigte Wirtschaftsdienste GmbH. economics news agency based in Frankfurt

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#### New Industry

### Unified EC n '92 Poses hallenge

Continued from page 7

unanimous decision from EC mem-

ne changes are certain in Europe after \$2, by which time the EC countries have adged to remove all barriers, such as exange controls, to further free capital moveents within the 12-nation bloc and allow mks to operate in any member state on a

ngle ficense. Last week EC ministers agreed to allow free realation of capital throughout the commu-ty. Under the directive, to be implemented in th EC countries beginning in 1990, EC namels will be able to open bank accounts or strow money anywhere in the community. he rule will be applied in the four "poorer" propean countries later: in Spain and Ireland 1992 and in Greece and Portugal in 1995. While no one is counting on complete tax rmonization in the EC, indirect taxes, such the value-added tax and taxes on corporate rofits, will be adjusted to smooth out differces; while direct taxes, such as those on pital gains and inherited wealth, will proba-·····y be left untouched. Other possible changes

clude a central monetary authority, a single irrency and harmonized interest rates. Paul Schminke, managing director of the indesbank Rheinland-Pialz in Luxembourg. id that 1992 "is a non-event for me."

"Luxembourg is a very sound financial place hich has never built its business exclusively tich has never built its business exclusively tax advantages. We have a natural base of asiness here, and that has no reason to tange," he added.

Mr. Schminke noted that West Germany has recently relaxed some of its banking regulans, such as lowering the minimum reserve quirement, but Luxembourg still offers mks more freedom. German law makes tradg in currency options highly risky for banks, e example. And West Germany has just inoduced a 10 percent withholding tax on intert and capital gains.

Volker Burghagen, managing director of the companie Luxembourgeoise de la Dresdner ank AG, said: "Big, international wholesale isiness and big private investment banking ill continue to go to Eurobanks in Luxem-Jurg, which have the experience and know-low that a commercial bank in upper Bavaria ist can't offer."

Luxembourg will retain an advantage over ther EC countries because of the absence of a inimum reserve requirement, which, along ith a favorable legal environment, attracted ig German and other international banks to e Grand Duchy in the first place, Mr. Burgh-

Phu Pham, managing director of Credit Lynais in Luxembourg, said, "One of Luxemourg's strong points is its political and ecoomic stability and the business sense among s civil servants.

"Contacts with authorities here are easy,"



said Jean Krier, a senior executive vice president at the Banque Internationale à Luxen-bourg and president of the Luxembourg Bank-ers Association. "You don't have to move countries will continue to rise. through intermediaries. You can get the fi-

nance minister directly on the phone." This consensus that the financial sector is a vital part of the country's development should help the Grand Duchy attract a hig share of the expanded European capital market that Mr.

Pham and others expect to see in 1992. Luxembourg's new directive on investmen funds is one example of the country's (lexibility, bankers say. The directive is the first in rope to establish a flexible legal framework for funds, and it anticipates 1992 by allowing

operators to market into other EC countries. Damien Wigny, executive director of Kredietbank Luxembourgoise, said, "The new law shows that we can go fast and adapt ourselves quite quickly when we need to."

Many bankers expect Luxembourg to agree to some kind of tax harmonization, but they believe that tax rates will still vary from one EC country to another, much as they do from one Swiss canton to another. In that case, Luxembourg could impose a VAT on gold transactions, but make it lower than other countries'

in order to keep a competitive edge, bankers But others fear pressure from other EC

"They are bound to ask the question, in a unified Europe, why should one country be allowed to have bank secrecy," said a Scandi-navian banker. "They will argue that tax authorities in one country should have access to

all other countries in the Community. According to this banker, Luxembourg government officials, in an effort to play down the issue, have asked banks not to use Luxembourg's bank secrecy laws and its lack of withholding tax in their advertising brochures to

private clients. Bankers agree that the EC needs a financial center like Luxembourg and warn that it would be rash for EC officials to try to change things. "If they do, the money will simply leave the EC and go to Switzerland, the Bahamas, the Cayman Islands or Liechtenstein," noted one

So far, that seems a long way off. The best proof that Luxembourg is likely to remain an important banking center is the increasing interest shown by foreign banks in setting up operations in the country. Attracted by new

opportunities in private banking, Amro of the Netherlands recently became the first Dutch

bank to arrive, while TSB Group of Britain set up the first British shop with the establishment of TSB Private Bank International in January. The number of banks registered in Luxer bourg rose from 127 in December 1987 to 133

in June, and four applications, from banks in Belgium, France and West Germany, should be approved soon. Total bank assets stood at 8.95 trillion francs

(\$2.6 billion) at the end of March, a 13 percent increase over March 1987. The financial sector now represents 25 percent of the Grand Duchy's government revenues and employs 12 percent of the working population. Luxembourg authorities are preparing even more incentives to banks, such as a reduction

of the corporate tan to 36 percent this year. To meet a shortage of personnel, particularly middle managers, the government has eased requirements for working papers and set up postgraduate management training programs. All of this makes bankers confident that 1992 will bring new business to the country.

MADLYN RESENER is a financial journalist

### **Grand Duchy Attracts** Reinsurance Captives

By Jacques Neher

UXEMBOURG — Efforts begun four years ago to establish Luxembourg as a center for captive insurance companies in Europe appear to be paying off.

Though the new industry employs relatively few people, it promises to provide a rich source of tax receipts for the government by the mid-

The business began developing after a law was enacted in 1984 that established the possibility for industrial companies to create captive reinsurance companies in Luxembourg.

In such a way, the companies could partly self-insure, indirectly paying much of their

premiums for business risks, such as fire and business interruption, to their own captive insurance subsidiary, instead of to an outside

There are now 67 reinsurance captives registered in Luxembourg, almost double the 34 such companies at the end of 1986, according to Victor Rod, the Gand Duchy's insurance

The companies put up a combined 4 billion Luxembourg francs (\$112 million) in paid-up capital, and they have already contributed 12 billion francs to 15 billion francs more to their

captives in premiums, he estimated. Mr. Rod said five applications to establish captives are under consideration, and he predicted another 10 to 15 applications would be

submitted this year. "We're first targeting Western Europe," Mr. Rod said, estimating that there are about 200 companies large enough to benefit by creating a captive. A company paying insurance premi-ums of more than \$2 million, he said, would be

of sufficient size. Ultimately, he said, "there is no reason why American and Japanese companies should not also be interested.

Many American companies have similar op-erations in Bermaida, which has about 1,500

This month, representatives from 300 European companies attended a seminar on capives sponsored by the government as part of

its marketing program to boost the sector.

The main selling points, Mr. Rod said, include Luxembourg's central location in the European Community; the country's social and political stability, a strong banking community that can provide support services, multilingual facilities, absence of exchange controls and the possibility of using currencies other than the Luxembourg franc.

"Our main concern is to attract a highstandard client," he said. "We're not seeking

He noted that Luxembourg law requires a reinsurance captive to put up a minimum paid-up capital of 50 million francs -- about 10 ses the minimum for a captive in Bermuda. In addition, the company must have a Luxembourg-domiciled risk manager.
"We wanted to avoid the establishment of

mailbox companies," Mr. Rod said.

In reality, the captives operating in Luxens bourg don't manage their own risks, but subcontract the business to a third-party risk man-

agement company.

There are now 10 such management companies operating. The first to set up business, in 1984, was Stockholm-based Sinser, whose major client was Electrolux of Sweden, Since then, nser has become a reinsurance risk manager for 25 other companies, most of them Swedish,

The industry promises to provide a rich source of tax receipts by the mid-1990s.

according to Ralph Tellov, the managing direc-

Mr. Tellov said that the government's goal of 200 captive reinsurance companies in Luxembourg is attainable.

"Four years ago, we never thought we would have more than 60 companies here four years later," he said..

Mr. Rod said that the captive industry in Luxembourg employs fewer than 100 people, but he projects huge benefits in the 1990s to the country's treasury.

Under the insurance legislation, captives are permitted to put premium income, and earnings on that income, in a special tax-free reserve to cover future losses. Taxes kick in only after the fund grows to at least 12.5 times the average annual premium income. For some risks, the fund could remain tax-free until it reaches 20 times the annual premium income.

In operation, an industrial company seeking to establish a captive reinsurance company must get its primary insurer to agree to hand off a portion of the risk - and the premiums associated with that risk - to the captive. The captive's manager then usually assigns a por-tion of that remaining risk to yet other reinsur-ance companies, while working with the industrial company's treasurer to invest the premiums retained.

While working to bring in more captives, Mr. Rod said he is "exploring other niches" such as pension funds - that Luxembourg could exploit in the future. There are currently no pension funds domiciled in Luxembourg.

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International

### s Early Red

### CONSOLIDATED ACCOUNTS



#### INTERNATIONAL **BANKERS** INCORPORATED S.A. AND SUBSIDIARIES

#### **FINANCIAL HIGHLIGHTS 1987**

Consolidated Balance Sheet (in million US\$)	1987	1986
Deposits with banks	195.8	182.7
Loans and Advances	1,176.9	540.3
Securities Portfolio	39.8	34.0
Total Assets	1,539.6	822.2
Bank Deposits	690.7	308.7
Customer Deposits	581.8	355.9
Capital Resources (including Minority Interest)	177.5	123.9
Of which:		
Share Capital and Subordinated Debt	129.5	100.0

The figures of International Bankers France are included for the first time within the consolidated accounts of International Bankers Incorporated S.A.

The consolidated after tax profit for 1987 amounted to \$ 6.9 M.

Copies of complete consolidated financial statements and annual report can be obtained on application to the operations manager in Luxembourg.



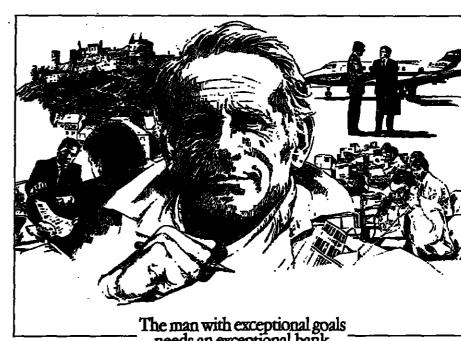
INTERNATIONAL BANKERS INCORPORATED S.A.

International Bankers Incorporated S.A. 41, boulevard du Prince Henri L-1724 Luxembourg

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### **Private Banks: Where** Less Is Worth More

By Madlyn Resener

UXEMBOURG — With its graceful bay window, polished mahogany banis-ters, and bright flowers out front, the TSB Private Bank International of Luxembourg retains the genteel atmosphere of a fine bourgeois maison de maître in one of the city's verdant residential areas.

It is a fitting location for greeting the wealthy private clients that come to TSB for sophisticated portfolio management. Benny Larsen, the bank's managing director, likes to welcome his clients personally, before sitting down to business in the front parlor or over lunch in Luxembourg's posh Clairefontaine

At the Clairefontaine, Mr. Larsen is likely to find himself surrounded by other bankers en-tertaining their clients. Private banking is the latest boom in Luxembourg, and TSB the most recent arrival—as well as the first British bank

to open up shop in the Grand Duchy.
The TSB Group of Britain decided on Luxembourg after an outside market study showed the country to have several advantages over Switzerland: bank costs are lower, there is no withholding tax on interest and capital gains and no value-added tax on gold transactions. Luxembourg's bank secrecy laws are as strict as — and in instances even stricter than — Switzerland's and the country is a member of

We saw that all the Swiss banks were coming here, so Luxembourg seemed to be the place to be," Mr. Larsen said.

TSB and other Luxembourg banks are targeting Europe's middle-level wealthy customers for whom Switzerland has grown too expensive and too impersonal. In addition to lower fees, the Luxembourg banks are offering highly sophisticated investment advice and nalized service.

Clients are pampered "in ways that range from the sublime to the ridiculous," Mr. Larsen said. At TSB, he will help his clients find the best schools for their children or arrange for tickets to soldout shows in London's West

Ole Roed, managing director of Bergen Bank International S.A., will book hotels and organize sightseeing.

Such service just is not available on Zurich's Bahnhofstrasse to investors with a mere million or two million dollars - and even the super-rich complain of indifferent treatment by their Swiss bankers.

One of Dresdner Bank's private clients is an elderly Dutch man who noticed that his contacts with his Swiss banker had dwindled over the years. The last straw came when, during a visit to Zurich, he called for an appointment and was told to show up at 10:55 A.M. He found this curious, but upon arriving, he discovered 15 other customers sitting on hard chairs in a room that resembled a dentist's waiting hall.

At precisely 10:55, a door was opened and he was ushered into his adviser's office. But he had scarcely begun to spread out his invest-ment papers when his adviser began looking at

Switzerland has grown too expensive and too impersonal for middle-level wealthy customers.

his watch. At 11:09, the banker abruptly stood up, shook hands, and firmly led him out. Such stories are common in Luxembourg banking circles.

From a half a million to five million dollars, you are probably better served in Luxem-

bourg," Mr. Larsen said. Volker Burghagen, managing director of the Companie Luxembourgeoise de la Dresdner Bank AG, said of his customers, "They want to chat. They don't care whether they end up with 9 percent or 10 percent, they just want to be reated like a client, not a number."

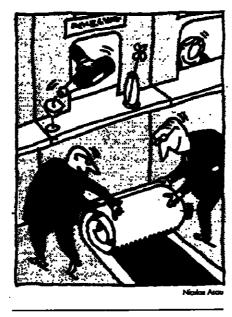
Many of Luxembourg's private clients are retirees or expatriates. Bankers say higher salaries, the stock market boom of recent years, and inflated real estate prices have combined to create a new tier of wealthy individuals below the super-rich level.

There is a lot of real money in circulation. The liquidity is enormous," Mr. Larsen said. More savvy than investors in the past, the new rich are looking for creative investment strategies and favorable tax treatment. And concerns over the recent willingness of Swiss authorities to turn over banking information has led them to look for alternatives to Switzer-

To reach these potential investors, bank officials regularly take their show on the road. Bergen Bank, like other Scandinavian banks, has a full-time agent making the rounds in southern Spain, home to many retired wealthy Norwegians. On his first trip two years ago, Mr. Roed picked up 12 customers; today the bank has 400, representing close to \$100 mil-

The banks compete on the basis of service, but Luxembourg banks also pride themselves on their ability to make shrewd, sophisticated investments, thanks in part to Luxembourg's

relatively open banking regulations.
"You name it, we do it," Mr. Larsen said.
"Our customers can hold financial instruments in any currency - Deutsche mark, Danish krone, or Japanese yen - all of it priced to market and converted to a reference currency." Bergen Bank will make deposits in all major currencies, buy and sell equities and bonds, and even deal in precious metals, old coins and



What these bankers will not do is to touch any money that appears to have criminal con-nections. "If I get the feeling I'm blowing white dust off money, I'll say no," said one banker. Like other bankers, he checks our identification and insists on keeping the deposit for a minimum of 30 days.

Because banks do a good job of policing themselves, "black money is not a huge prob-lem here. Most of it goes to brass plates offshore," he said.

Private banking services have long been offered by smaller private Luxembourg banks, but with the decline in Eurolending most of the big Eurobanks have also set up asset man-

The big German banks that specialized in wholesale banking and Eurocredits, syndicated loans and bond trading are moving into private banking because it is a fee-generating business," said Jean Krier, senior executive vice president of the Banque Internationale à Luxembourg, and head of the Luxembourg Bankers Association.

Paul Schminke, managing director of the Landesbank Rheinland-Pfalz, said, "We had to look for other opportunities."

While bankers say they don't sell Luxembourg on the basis of bank secrecy, it is clear that this remains a strong drawing point. At least one bank, Norway's Den norske Credit Bank, is considering moving its private bank-ing operation to Switzerland or Austria should Luxembourg give up its secrecy laws under pressure from other EC countries.

"We are following this very closely," said Poul-Erik Beck-Sorensen, the bank's general

Private banking has translated into higher commissions for banks, which are reflected in the 13 percent growth of total bank assets in March over the previous year, to 8.95 trillion Luxembourg francs (\$2.6 billion). Deposits from non-banks have risen dramatically over the past year, as much as 20 percent at some banks. Just four years after Den norske Credit Bank set up an asset-management division, private banking now accounts for one-fourth of its gross income.

So far, bankers say, the market is large enough for everyone.

But "it's very competitive today and will become more competitive, because nearly all banks are going into it," Mr. Beck-Sorensen

### Nordic Banks Fine-Tune Policy

By Michael Metcalfe

OPENHAGEN — Having estab-lished a solid base for servicing the financial needs of their clients in the private banking sphere, the 16 Nor-dic banks represented in Luxembourg are embarking on a new phase in their drive to win over the wealthy: the provision of improved and more specialized back-up services.

Over the past five years, each of the banks from Denmark, Finland, Norway and Sweden has proved adept in creating a special place for itself in the increasingly competitive private banking sector, adapting and fine-tuning their corporate strategies to meet a more specialized,

and more discerning, demand for clients.

Moreover, each of the banks has pursued its strategy in terms of building up its private customer base, offering its own brand of services and developing its own product mix. As the degree of private banking emphasis varies from bank to bank, so does the proportion of profits stemming from the range of banking services offered

At Banque Nordeurope S.A. (BNE), its re-cently established private banking department forms a small but rapidly expanding proportion of the total balance sheet.

"My goal is for this proportion to increase to between 40 and 50 percent of the balance sheet within the next two to three years," said Helmer Moller, head of BNE's private banking

During the last financial year 1987-88, deposits from private banking clients jumped by 82 percent, to 3.23 billion Luxembourg francs (\$90 million), while loans to private customers collateralized by securities, precious metals and the provision of investment advice were also increasingly in demand.

Because Banque Nordeurope is jointly owned by Sweden's SwedBank and Finland's Skopbank - central banks acting for their respective countries' savings banks - it can draw on a wide range of private customers from both those countries. Banque Nordeurope's clients, which now number about 400 in the private banking sector, are also to be found in Britain, West Germany, the Benelux countries, Spain and France.

The services offered by Banque Nordeurope include discretionary and advisory portfolio management, loans using all types of securities and cash management.

"Of course all the banks involved in the private banking sector offer broadly the same kind of services, but the distinction lies in the way you sell and then handle these services after having sold them, because it's not too difficult to attract clients; it's harder to keep the clients," Mr. Moller said. He added that the medium to small custom-

er finds a Luxembourg private account more attractive than a Swiss one because Swiss banks require too large a minimum deposit and Swiss private banking fees are higher. "Our main goal is to offer high-quality advice and services in the traditional fields of

private banking," Mr. Moller said. Widening the range of investment instru-ments available to the private customer, as well as improving the quality of existing services, are also key objectives for the Nordic banks. "We are currently in the phase of trying to



improve the quality of our private banking services, and also the range of services, adding on other products, including investment funds, the latter being very much tied in with the development of Luxembourg as a center for unit trusts," said Ole Roed, managing director of Bergen Bank International S.A., one of the Norwegian banks represented in the Grand

Bergen Bank International, which has seen its personal customer funds jump from \$75 million last year to current levels of around \$100 million, is also marketing in other parts of Europe in a bid to attract a wider geographical spread of clientele, particularly in view of the creation of a single internal European market and the free flow of capital scheduled for 1992.

As private banking has assumed a far greater significance in Luxembourg over the past several years, so competition for the market has intensified, also among the Nordic banks.

"There is no question that competition in the private banking sector is sharpening and we welcome it; it also increases the emphasis on with investment banking in Luxembourg, which is of help to everybody involved in this sector," said Jesper Klinting, head of investment banking at Privatbanken International (Denmark) S.A.

The Danish bank is emphasizing the service aspect of private banking, Mr. Khinting said, by offering "a personalized service covering the broad spectrum of private banking services, including currency deposits, Euromarket instruments of all varieties, investment advisory services, portfolio management and fiducia-

The need to provide improved back-up services and sophisticated technical support systems for the more discerning private banking customer prompted Privatbanken to increase its Luxembourg staff from 60 to about 110 last year and to move to larger premises in October.

But the private banking divisions of Nordic subsidiaries in Luxembourg do not cater only

to the financial needs of the high net we individual, expatriate or tax exile. Many them are booking the advantages gained in the provision of legal and tax advisory servi

"It is an often overlooked fact in the reals private banking that legal and tax aspects a vital role in the considerations and strate of wealthy Scandinavians driven from a home countries by crushing tax burdens one senior Nordic banker in Luxembourg

The area of private banking, including provision of legal and tax advisory services proved lucrative because, whereas bank de ulation and financial market liberalization have removed many barriers to Scanding corporate banking, relatively severe for exchange controls restricting the flow of g tal by individuals of the Nordic countries remain in place.

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However, the customer base of many of Nordic banks' Luxembourg subsidiaries, at still predominantly expatriate Scandinas living in other parts of Europe, is widening include other wealthy individuals.

Branching out into new areas of per banking activities has also encompassed fast-growing investment fund sector. Sever the Nordic banks based in Luxembourg added this to their banking services.

For the Swedish banks, including Skand viska Enskilda Banken, Svenska Handels ken and PKbanken, maintaining subside ... in Luxembourg has in the past meant print meeting the financing requirements of Swe companies and their network of subside abroad. But here, too, the provision of peri-alized banking services catering to west. individuals is playing an increasingly inc.

MICHAEL METCALFE, a journalist base Copenhagen, is a correspondent for Bush

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### IN LUXEMBOURG

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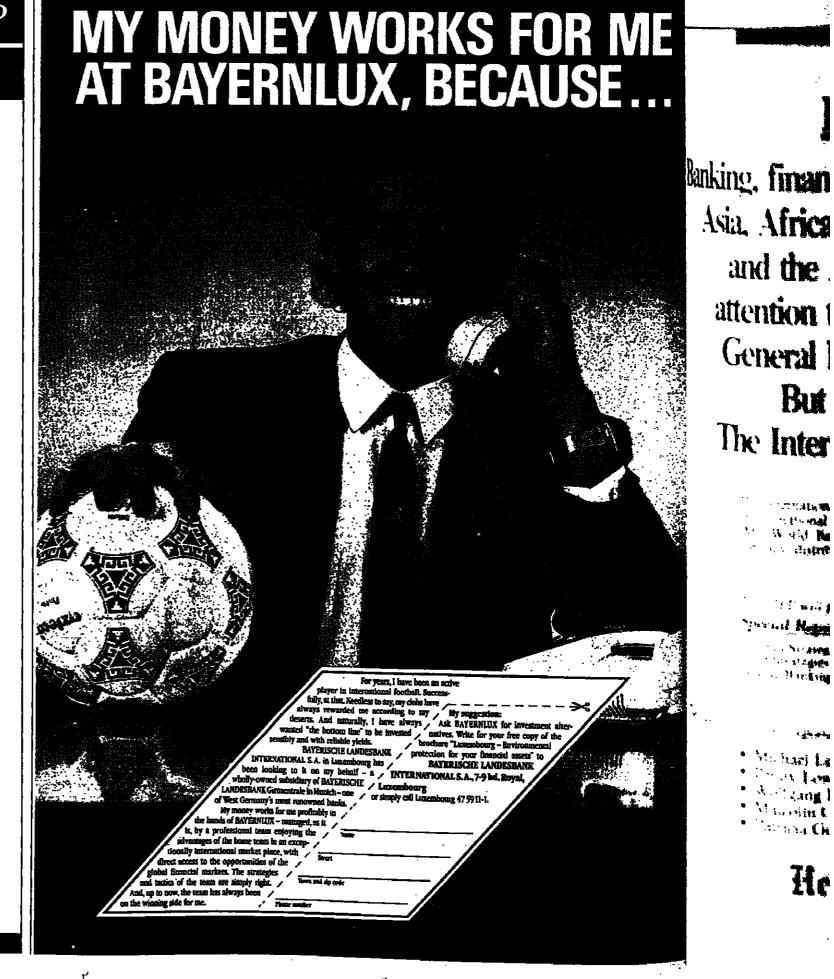
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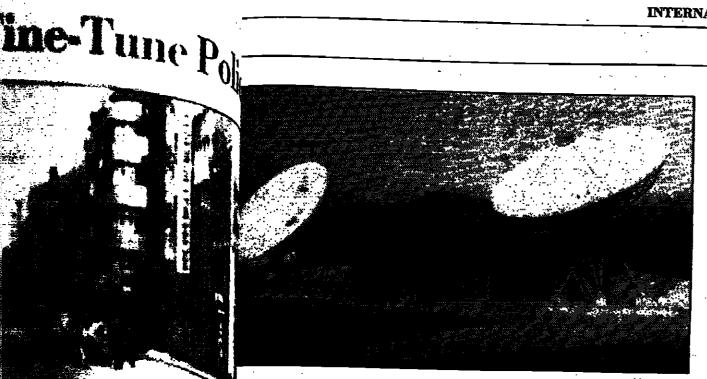
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### rom Steel to Satellites, **L'lanners Play Niches**

By Jacques Neher

UXEMBOURG - Like a small company that prospers by concentrating on special market ents, Luxembourg, too, is eding by playing the niches.

economy is among the stronn the world, and much of the it can go to government planwho sought out and then deed niches for Luxembourg ess and industry. nile proceeding over the past

le with a restructuring of d steelworks — the backbone Luxembourg's industry nment has focused on banknutual funds, insurance and wisual industries as fields in Luxembourg could special-

a result, this country of 00 inhabitants has almost no ployment and no inflation. sury Director Jacques F. is only 1.5 percent and is to drop further this year, g Luxembourg, by far, the t unemployment rate in the bean Community.

ce increases are likely to be to "0 to 1 percent," while Mr. projected overall economic th of 2 percent to 3 percent car, a growth rate that would e higher than Luxembourg's

ile merchandise trade conis to be in deficit, the surge in es trade more than makes up In 1986, the last year for

VORKS FOR

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embourg's current account was in surplus by 40.5 billion Luxembourg francs (\$1.13 billion).

Due to the financial services sector, Mr. Poos said the government is running a balanced budget. Looking to the future, he said there is now a "margin of maneu-

ver" to reduce taxes. Between now and 1992, the government will be proposing to reduce certain categories of taxes, such as corporate and income tax-

Banking, the country's bright spot over the past several years, continues to grow and diversify, though at a slower rate than in previous years. One braking force to growth, bankers say, is the lack of qualified personnel.

You can't just take a steelworker you don't need anymore and put him in banking," said one

The major banks recently reported 1987 after-tax earnings increases of 15 percent to 30 percent. Yves Wagner, an economist with Banque Générale du Luxembourg, predicts similar gains for 1988. "I don't see a lot of things changing," he said, noting that the boom in mutual funds has done

much to prop up bank profits. The number of mutual funds domiciled in Luxembourg has grown steadily since 1983, when there were 99 such funds totaling 303.3 billion francs. In 1987, there were 121 new funds established. bringing the total to 382, with combined assets of 1.112 trillion

actual fund management is still done in London and other financial centers, but he said a growing portion is likely to be handled here

as expertise grows.

Banking and related financial services employ 10.3 percent of Luxembourg's 170,000 workers, compared to less than I percent in 1947, according to George Als, director of Statec, the government statistics office. However, the sector contributes 13.5 percent to the country's gross domestic product.

"The most explosive phase is behind us," Mr. Als said. "The sector's growth will be slower from He noted the rising employment curve of the financial institutions

and the declining curve of the steel industry intersected last year at around 12,000 jobs. Arbed, whose employment

peaked in 1974 at around 29,000 workers, now has only 11,500 at its Luxembourg steelworks, and that figure is set to be thirmed to 10,000

The company, which returned to profitability in 1984 after losing 16 billion francs between 1975 and 1983, is expected on Friday to report losses for 1987 due to weak steel prices and poor demand in its export markets. However, analysts believe a strengthening in prices will help profits bounce back in

a key financial role in Arbed's restructuring, now owns 32 percent of the company's capital, against only 2 percent before the restruc-turing. Société Générale de Bel-A Luxembourg Monetary Insti-tute official said that most of the gique, the giant Belgian holding



The Astra satellite station in Betzdorf, above left; the recently restructured Arbed steelworks, the backbone of Luxembourg's industry, above.

company, is the largest private shareholder, with 25 percent. ertheless, the venture could provide a big boost to the govern-ment's efforts to make audiovisual In the longer term, Arbed may face further restructuring, even a

rocket. SES, founded in 1985, has

had to push its lannch back be-

cause of Ariane's technical prob-

The satellite would beam pro-

lems over the past two years.

Western Europe.

one of the country's more importotal retreat from primary steeltant niches for the future. "We're well situated to play a making, as its domestic sources of iron ore runs out by the year 2005. central role in the domain of au-While industrial output fell 1.1 diovisual, just as we have in finanpercent last year, due mostly to cial services and steel," Mr. Poos

Arbed's performance, the country's building and construction industry soared by 15.6 percent, and SES, which has raised 7 billion francs from its 11 shareholders Mr. Wagner said the strong deand loans, earlier this month mand in the sector, particularly for new housing, should continue throughout 1988. signed contracts to lease out the first three of the satellite's transponders to Sky Television, which Meanwhile, Luxembourg is plans advertiser-supported pro-gramming. Sky Television has also toping to become a center of satel-

lite-based television industry. taken an option on a fourth tran-The Société Européenne des Satellites (SES), a multinational Also giving the project a boost joint venture based in Luxem-

was the announcement at the same. bourg, hopes to place its 16-chantime from Amstrad Consumer nel Astra television satellite in or-Electronics PLC that it would bit this November via an Ariane 4 market an antenna and receiver system that could capture Astra's signals for as low as £199 (\$338).

### **Italian Investors Wary**

By Dalbert Hallenstein

ILAN - After 12 uncertain months, Italian bankers in Luxembourg say that their continued presence on the market depends ultimately on the Italian economy's continued

Luxembourg officials, mean-while, claim that Italian involvement in the Grand Duchy could be greater if the Bank of Italy relaxed its monetary policies and eased the movement of money abroad, a move that is due anyway with the European Community's decision this month to free the export of capital by 1990 in most

"As far as we are concerned." said Nicolo Patrone, director of the Luxembourg branch of the prestigious Turin-based Istituto San Paolo, "all the activities of the private banking sector that were developing in Luxembourg suf-fered a sudden arrest" with the October stock market fall,

"There were no positive aspects at all to last October's stock market crisis for us Italian bankers in Luxembourg," he said. "The immediate effect was to stop buying, and this was reflected inevitably on the bond market, in the sense that businesses found it more difficult, if not impossible, successfully to offer issues. For though the big names continued to issue bonds with success - recently there have been large EC and EBI issues — everything has become more difficult for everybody else."

For the large company or private investor, at the moment it is best to wait for better times, because the Italian investor is reluctant to absorb new issues - except for the biggest corporations

and governments," he added. But the real question regarding the future of Italian involvement in Luxembourg's financial markets," Mr. Patrone added, "is whether the Italian economy is still in continual expansion. The Italian presence on the market depends on this, and we are rather uncertain about the answer to this

Other members of the Luxembourg-based Italian banking com-munity have noticed a discrete up-

particularly true of middle-sized companies that now cannot raise finance through the issuing of bonds and are increasingly turn-

"One could safely say that what has been lost on the bond market has been compensated for in the issuing of loans," said a banker who refused to be identified.

ing to the raising of syndicated

Many members of the Italian banking community in Luxembourg have also noticed that an companies are seeking medium-term loans through the Luxembourg-based Italian banks for purely financial reasons, such as for capital increases, rather than for productive investments in new

plant or technology.

But despite the relatively bad performance of the banks on the Luxembourg market over the past year, none of them has complained of an actual downturn in business turnover, only of a level-ing off of expansion and of a cer-

And, significantly, other Italian banks are trying to open branches in Luxembourg, confirming a solid confidence in the future of this

There are two or three leading Italian banks," said Pierre Gra-migna, an official at the Luxembourg Foreign Ministry, "who would open here tomorrow if it were not for the restrictive policy of Italy's central bank, the Bank of Italy, which is still successfully trying to keep them at home, but we hope this will all change in

Complaints about the restrictive policies of the Italian monetary authorities are also common in Italian banking circles in Lux-

embourg. "A certain liberalization by the government of the movement of money abroad is now under way," said Mr. Patrone of the Istituto

San Paolo, "But remember that, despite liberalizing measures taken over a year ago and then again in June 1988, Italians still have to pay a 30 percent tax on interest carned abroad, and this is a real discouragement to investing in foreign shares or bonds."

He and other Italian bankers expressed some doubt as to the real commitment of the Italian monetary authorities to liberalizing the free flow of capital by

"I doubt that it will abolish the tax discouragements to foreign in-vestment" before then, he said. Meanwhile, the Luxembourg uthorities are continuing to press ahead with their program for the

diversification of the Grand Duchy's general economy through the development of sophisticated small and medium high-technolony industries and of service active ities such as transport and tele-Clearly Luxembourg, in the

light of the 1992 liberalization deadlines of the European Community, has no intention of depending solely on its financial

In June, the heir to the Grand Duchy, Prince Henry of Nassau, led a delegation of industrialists and experts to northern and central Italy to promote Italian in-

Of particular interest to Italian investors is Luxembourg's planned launching of the Ariane telecommunications satellite, Europe's first commercial, private television satellite, which will offer 16 separate television channels in several languages. Coverage will take in 90 percent of the consumer purchasing power of Western Eu-

DALBERT HALLENSTEIN, a iournalist based in Milan, is a con-

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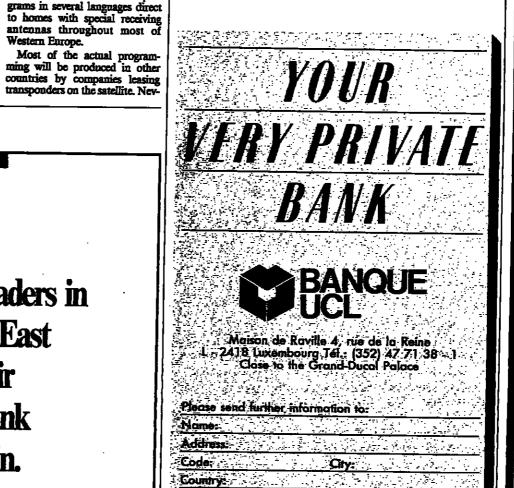
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- le Mardi 19 juillet 1988 à 11 heures et qui aura l'ordre du jour suivant:
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- 3. Recevoir et approuver les comptes annuels arrêtés au 31 mars 1988. Arrêter la répartition bénéficiaire de la Société.
- 5. Donner quitus aux Administrateurs et au Commissaire pour l'accomplissement de leur mandat jusqu'au 31 mars 1988. 6. Renouveler le mandat des Administrateurs et du Commissaire pour un terme d'un an devant expirer à la prochaine Assemblée Générale Ordinaire des Actionnaires.

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heures avant la réunion. La présente convocation et une formule de procuration ont été envoyées à tous les actionnaires inscrits au 27 juin 1988. Des formules de procuration sont disponibles sur demande au siège social de la Société.

Pour le Conseil d'Administration J. Pierson

Directeur Général

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ANNUAL GENERAL MEETING

of shareholders of DREYFUS AMERICA FUND to be held at the head office of Banque International J Luxembourg, Société Anonyme, 2, boulevard Royal, 2953 Luxembourg, on July 1, 1988 at 2:00 p.m. with the

1. Submittal of the reports of the Board of Directors and of the Statutory

2. Approval of the Accounts as at February 29, 1988; appropriation of the

- 3. Discharge of the Directors and of the Statutory Auditor;
- 4. Statutory appointment:

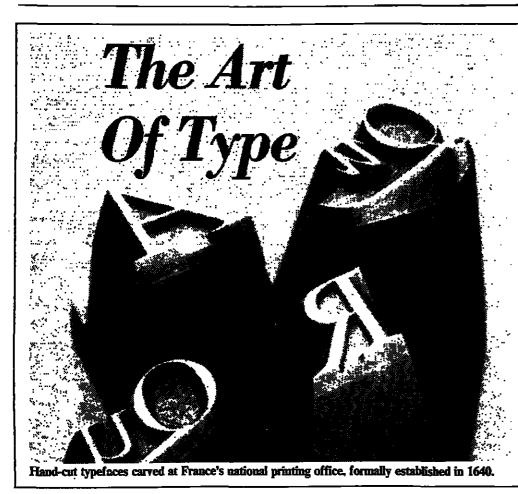
5. Miscellaneous

The shareholders are advised that no quorum is required for the items of the agenda of the annual general meeting and that decisions will be taken at the number majority of the shares present or represented at the meeting.

In order to attend the meeting of July 1, 1988 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale Luxembourg, Société Anonyme, 2, boulevard Royal, L — 2953 Lixembourg.

THE BOARD OF DIRECTORS

#### ARTS/LEISURE



By Barry James International Herald Tribune

PARIS — France's national printing office, L'Imprimerie Nationale, churns out millions of tax forms, telephone directories, passports, driver's licenses, hunting permits, identity cards, treasury bonds, examination papers and the other appurte-nances of a modern state; but behind its stern officialdom and industrial bustle it has a soul.

For in an age of electronic typesetting, photo composition and satellite page transmission, it persists with the anachronistic and noble art of creating books with mov-able type, printing them on ancient presses and binding them by hand — exactly the way it has done ever since 1640, when Cardinal Richelieu founded the Imprimerie at the Louvre palace in order to 'multiply the number of beautiful publications useful for the glory of the king, the progress of religion and the advancement of literature."

Pages are assembled with individual lead characters that have to be hand set, one by one, at the rate of about 1,300 characters an hour, in a frame known as a chase. From this, a direct impression is made in a print-ing press. Nearly all modern books are produced by photographic processes that eliminate most of the traditional printing

Making books by hand also entails hand carving of the punches from which the type is produced — a lost art almost everywhere else now that computers can design and copy typefaces cheaply and fast. But ac-

a loss.

cording to Christian Paput, Jacques Camus and Nelly Gable, who believe they are the last of the world's full-time type engravers, books set with computer-designed characters lack individuality.

The slight irregularities of hand-cut typefaces, Paput said, give a page a variety that makes reading easier on the eye. They are sharper, too, he said, making it possible for a person with normal eyesight to read even very small type without a magnifying

But these advantages alone are not reason enough to keep alive the fine books workshop in the midst of an organization that earns more than 99 percent of its income from its industrial production.

"We do it because it's a way of keeping our cultural heritage," said Michèle Kespi, spokeswoman for the printing office.

The printing office has a unique collection of 92,000 steel type punches — unique in that the collection is still in regular use to produce type both for a wide range of Latin faces (such as the one in which this article is printed) and for virtually all the world's written languages that do not use Latin characters. Throughout the turnoil of the French Revolution and again during the German occupation in World War II, workers risked their lives to guard the collection, which has been declared a national

The punches are used to produce molds into which lead is poured to create type characters. If a punch is broken it means that the entire set or font to which it punch engravers spend most of their time has the punches for the original Greek cutting replacement characters from blocks of steel, a process that can take

several weeks for each letter. As a mark of its determination to preserve the typographic arts, the government two years ago also set up a small design workshop to continue a tradition going back to the earliest years of printing in France.

Some of the world's most familiar type-faces have originated in the printing office — Garamont, Grandjean, Luce, Didot, Marcellin-Legrand, Jangeon and Gauthier.

Grandjean, also known as Romain du Roi, was designed on the orders of King Louis XIV, and represented monumental degance in book design. Luce was developed in the 18th century, originally be-cause Alexandrine verse, consisting of 12 syllables on a line, required a more compressed type. Didot, developed on the or-ders of Napoleon and based on the newly introduced metric system, is still the severe typeface seen on official proclamations. Gauthier was designed in the 1950s primarily for use in modern art books. The designer, Louis Gauthier, passed his skills to Camus, who continues a tradition un-

changed over the centuries. Although Richelieu formally established the printing office, its origin can be traced

belongs cannot be used unless a replacement is made for the missing letter. In pies a large complex of buildings in Paris and another modern plant at Douai, still the content of the cont typefaces designed by Garamont, known

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gamercials \ as the Grees du Roi. The workshop also has a collection of all the books produced by the printing office, from the first, a folio edition called "De Imitatione Christi," to a beautifully illustrated set of Buffon's 18th-century "Histoire Naturelle" to modern versions of the control of the cont toire Naturelle" to modern versions of the

classics illustrated by 20th-century artists

The books are printed in a shop that : could be considered a working museum.
Flatbed presses built 80 years ago by
Michle in Chicago are still in use. "You?" Michle in Chengo are sum in me, and have to be sporting to operate this machine," said Eduard Troscille, a workshop and the change of the chan supervisor, as a printer fed sheets one by one by hand into a century-old relic near-by, deftly managing to keep his fingers out of harm's way.

At one end of the room, a small wooden hand press, of a design dating back to the Renaissance, is used to reproduce copper-plate engravings. Even the most modern machines in the plant are no longer manu-factured, and have to be nursed along with spare parts made on the site.

The persistence in sticking to the old ways in the midst of the modern printing plant helps to conserve the Imprimerie's distinctive and historical character, Kespi back to the appointment of a royal printer in 1539 by King François I, who was anxious to encourage Hellenistic studies in

### Fashion Strikes Ancient Mediterranean Sculpture

F ASHION is hitting head on in an unlikely area: antiquities from the ancient Mediterranean world. The hunt is on for sculpture from pharaonic Egypt, Greece and Rome, big and small, as verified throughout a \$2 million sale at Sotheby's in New York last week.

The most remarkable development is the Classical revival that came out strongly in the auction on June 15. It was inevitable in view of some of the broader trends that have been making themselves felt in the art

#### **SOUREN MELIKIAN**

market in recent years. One is the surge of interest across the board in three-dimensional art. The second is the massive swing back to figural art in general and its more academic aspects in particular. It would have been a paradox if Greek and Roman art, the ultimate sources, had been left in the cold.

The new trend explains how such prices can be paid as the \$71,150 it took to get a marble torso, headless, armless and badly mauled in the front. Richard Keresy, Soth-molecular of the portrait of a man the prime of youth the portrait of a man the prototype is (32.5-inch) figure as a first-century B.C. recapture the spirit of fifth-century B.C. professionals to originate from the eastern the time to have surfaced in the Peloponnecopy of a famous model by Polykleitos, of Classicism that spread in the Greek cities the fifth century B.C. Beautifully carved around the second century and lasted 100 tainly what is now Turkey. when seen from the back, it looks even years or so. At its best, as here, it carried

uity," Sotheby's expert shrewdly notes, giving damage the aura of great age.

can do just as well. A Greek marble torso only 31.4 centimeters, which sold for \$23,100, could be called the success of the sale in its modest way. Missing its head and left arm, the late fourth or third century B.C. carving was also chopped off below the knee by hurried diggers. The crust adhering to the white marble suggests Greek sites on the shores of what is now Turkey. The draped fragment has all the elegance of the early Alexandrine period, to get closer to real life, but its condition mate. would deter most traditional collectors.

Yet, despite the new vogue and the corresponding price rise, the greatest in Hellenistic statuary can still be inexpensive compared with the other periods of Western sculpture. The masterpiece last week was

The latest news is that small sculpture \$68,750, seems light by comparison with barely more than the low estimate. Mean do just as well. A Greek marble torso any work of comparable caliber from the sured in harder currencies, this amounts to The irony is that at the end of the 16th century on.

For rarity, the prize went to another portrait of a young man also harking back to Classical times. Here, however, the choice of Lumacella, a type of black marble with white curlicues in the grain, transforms the otherwise restrained portrait into a Baroque fantasy. Professionals could not remember seeing another such piece at auction, and that accounts for its soaring to moving away from Classical conventions \$74,250, almost four times the high esti-

> Rarity, however, does not in itself ensure success, not even coupled with quality. One marvelous statue in the sale showed that old art market preconceptions can still prevail. This is the figure of a lady of the midsecond century, slightly larger than life-Mediterranean, for which read almost cer-There was only one hitch: Those who

better in Sotheby's photograph, but the front is distressingly damaged—"in antique determination, faintly toned down by a the same auction house in February 1985. Peloponnesus." Given the fear that reput-

Yet, money was flowing freely last week. When rarity was not handicapped by considerations unrelated to art, the sky was the limit. Few Egyptian works of the 11th dynasty (2134 to 1991 B.C.) are available these days, particularly polychrome low reliefs of convenient picture size that look nice on a wall. A limestone funerary stele - an Egyptian woman seated sideways raises a lotus blossom to her face - fitted that description. Despite nasty breaks and chips in the middle it doubled Sotheby's estimate, ending up at \$49,500, a huge

The big sensation later in the sale was a gold cup of rounded form with a high still knocking around the market while sus. One of the scholars says it is "highly probable" that Sotheby's cup is the one strength of labels, not of what their eye "known to have been in the Berlin market might tell them.

suggested smile of self-confidence, is con- It then sold for \$79,750, reportedly as an edly excavated gold objects put into the veyed with supreme skill. The price, investment. This time it went for \$121,000, minds of collectors, the 16.5-centimeter

> The irony is that at the end of the sale a whole row of gold and silver fakes from Iran were being sold for what they are, 20th-century productions in Achaemenid Sasanian or even early Islamic style. A gold vessel with its extremity designed in the shape of the head of a mountain goat tried to suggest the style of seventh-sixth century B.C. Iran. It was given a prominent place in Paris in the 1961-62 Petit Palais exhibition "7,000 Years of Iranian Art." Duly illustrated in the relevant catalogue section compiled by a famous archaeologist, it was later featured in other learned publications, as were several pieces of the same ilk. Last week it was sold for \$4,180 - on the basis of its gold weight, Keresy said. There were 12 more lots in that vein. Others are pensive baubles making faces from their museum cases at investors who buy on the



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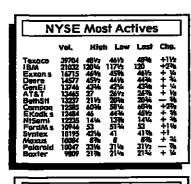


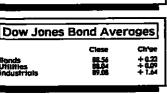
IT'S THE WHITE HOUSE, DEAR, THEY MANT TO

ATTENDING THE WHITE-

COLLAR AMNESTY BALL

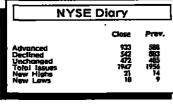
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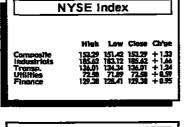


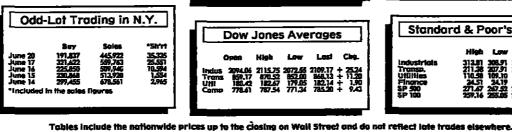


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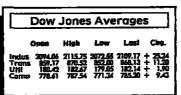


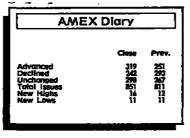


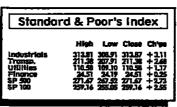




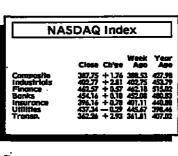


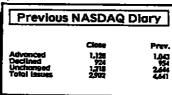






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### **NYSE Rebounds After Sell-Off**

NEW YORK — Prices on the New York
Stock Exchange recovered from a midday selloff Tuesday and rallied to end sharply higher in moderate trading. Favorable economic data and strong buying interest late in the session underpinned the advance.

The Dow Jones industrial average, which had

to close at 2,109.17.

Advances led declines by about a 9-5 ratio. Volume was 155.1 million shares, compared with 116.7 million Monday.

Before the market opened, the Labor Department said consumer prices rose only 0.3 percent in May, slightly below market expectations.

The market reaction to the inflation data was immediate as the Dow jumped more than 12 points in the early going. The index held most of the advance until shortly after midday when it suddenly turned lower. It fell about 7 points to 48% amid rumors the company was planning. suddenly turned lower. It fell about 7 points to 48½, amid rumors the company was planning

look at the overall market in recent weeks," said ers targeted at small- and medium-sized compa-

"the trend since the beginning of June," and was assisted late in the day by money managers and institutions who entered the market as the quarter draws to a close.

Div. Yzd. PE 100s High Low Gust. Chige

He blamed a pullback in bonds for the midday retreat in stocks and gave only partial credit

underpinned the advance.

The Dow Jones industrial average, which had fallen 20.09 on Monday, rose 25.24 on Tuesday to close at 2,109.17.

The Dow Jones industrial average, which had at Jefferies & Co. in Los Angeles, said, "The first thing to remember is that Monday's action and all that had Ma maintained and all that had all that had all that had Ma maintained and all that had all that had Ma maintained and all that had all th

below the previous close before an equally a major stock buyback program, abrupt turnaround.

IBM followed, jumping 3½ to 120½. The "In order to sort such a day out, you have to company unveiled a family of six minicomput-

Larry Wachtel, a market analyst with Prudential-Bache Securities Inc. "It has been overbought since last Tuesday, and Monday we went through a period of consolidation."

Mr. Wachtel said the market simply resumed the work of the company agreed to be acquired by Tompkins PLC of Britain for \$56 a share.

AT&T added Gillette was to two New York proposals to but Gillette fend off iston Partners.	up 1/2 to 37 k investme ly large st	ent firms ha akes in order	d made to help
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12 Month High Low Stock

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Freeing business people

### **Panasonic**

EDNESDAY, JUNE 22, 1988

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### Herald Eribune. BUSINESS/FINANCE



#### MADISON AVENUE

### **tBDO Commercials Win** hief Spots in 2 Contests

Compiled by Our Staff From Dispatches

EW YORK — Television commercials by BBDO took the chief honors at two separate competitions this week, winning six awards at the Clio ceremony in New York and first prize at the American Advertising deration's 20th annual Addy Awards contest, held this year in

s Angeles.

BBDO, which also won Clios for a corporate ad for Du Pont d a retail services ad for PIP Printing, won more television and in Monday's ceremony than any other agency in the U.S.

evision advertising segment of the Clio competition.
Chiat-Day Advertising won five television Clios, including two the for ads for Arrow shirts and the regional telephone company mex. The fifth was an ad for

ister Farms Chicken. The television Clio for the st national advertising camency Cliff Freeman & Partis for a series of ads for ilips Light Bulbs that show int can go wrong when a Ib burns out.

Levine won three Clios for its work with BBDO on a Diet Pepsi ad featuring Michael J. Fox.

One of the ads showed a tronly woman wondering where the magic had gone in her nriage as her husband slurped his soup at the dinner table. ter the light went out, a snore, then a splash and finally a gurgle ald be heard as her spouse apparently dozed off into his sonp.

Two production houses, Pytka of Venice, California, and Rick

vine Productions of New York, each won four Clios for vision ads.

Pytka won for its work with BBDO on Apple computer ads in home entertainment and office equipment categories, for a nmercial for Bartles & Jaymes wine cooler and for an ad for

Levine won three Clios for its work with BBDO on an ad for et Pepsi called "Apartment 10G." The ad showed the actor chael J. Fox scrambling out his apartment window and across Ific in a driving rain to get a soft drink for a pretty neighbor. Levine's fourth Cho award was for its work with BBDO on the Ront commercial that showed a man who had lost his legs in mam playing basketball with his friends with the aid of

Clio Awards, a private concern based in New York, has been ministering the Clio presentations for 29 years.

THE American Advertising Federation's competition in Los Angeles, BBDO won first prize for an Apple Computer commercial that features a wheelchair-bound teen-ager aping around the Venice Beach area of Los Angeles. The ng ad features 16-year-old Jody Kemp, an actor who lost use of his legs in a car accident. In the 60-second commercial f. Kemp is seen struggling to get his wheelchair over a curb, ying records at a record shop and even falling out of the chair ring a rough-and-tumble football game. Of course, he is also wn at work with an Apple computer.

The ceremony, held in Los Angeles for the first time, is anded by advertising executives as among the more prestigious

Australia is setting out to modify its "Crocodile Dundee" age to attract foreign investment to its expanding industries. e rough and ready image of Australia is depicted by the actor ul Hogan catching crocodiles in remote northern Australia in Crocodile Dundee" films.

"If you can imagine an aging Paul Hogan," John Button, inister for Industry, Technology and Commerce, said Tuesday, hat we are saying is that as he gets older he can get his biomic e a made in Australia, he can get his heart pacemaker made in

Australia has installed investment counselors in New York, See AWARDS, Page 15

#### **Currency Rates**

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repurchase agreements to 3.50 percent from 3.25 percent. The intionary pressure and promote currency stability.

The move did not trigger rate tions, as some economists had feared. London markets have been expecting the Bank of England to push banks' base rates half a point higher to 9 percent this week, but it did not act Tuesday. The mark, which closed at 1.7600

### **Interest Rates**

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terest Rate Index: 7.372

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e: Merrill Lynch, Telerale.

### **Générale** Truce Is Called

#### De Benedetti Seen **Getting Board Slot**

By Jacques Neher Special to the Herald Tribune
BRUSSELS — The two investor
groups that have been locked in a
tug-of-war for the past five months over Société Générale de Belgique announced a surprise truce Tuesday

at the company's annual meeting.

Though no details were released nding an announcement on Friday, the pact appeared to pave the way for Carlo de Benedetti, the Italian industrialist, to assume a seat on Générale's board.

However, analysts believe that he is unlikely to get the degree of control he had sought when he be-gan buying shares in Belgium's

largest company in January.

René Lamy, governor of Générale's board, called the preliminary agreement "a big step toward normalization" between the two major

shareholder groups.

Mr. de Benedetti, through his French holding company Cerus SA and his allies, controls 44.5 percent to 47 percent of the 166-year-old Belgian conglomerate, depending upon the outcome of a court case. He was blocked from taking a seat on the board at a special shareholders meeting April 14 by the rival investor group led by Compagnie Financière de Suez, the French investment bank. The Suez group controls 55.2 percent of Générale.

The preliminary agreement, reached late Monday night between Mr. de Benedetti and Suez, headed off an expected fight at Tuesday's annual meeting over the election to Générale's board of Hervé de Carmoy, a former banking executive that Suez is supporting to run the company.

The Cerus group agreed to ab-stain on the vote in an apparent face-saving move, analysts said. That decision permitted Cerus to object to Mr. de Carmoy without igniting a controversy by having almost half the shareholders voting against the person viewed as the next chief executive.

After the meeting, the board named Mr. de Carmoy executive director, a position that gives him See GENERALE, Page 15

**Rate Rise** 

Is Assailed

In Germany

By Ferdinand Protzman FRANKFURT — The Bundesbank's move Tuesday to raise a key interest rate was quickly assailed by a range of economists as unnecessary, potentially harmful to economic growth and insufficient to bolster the Deutsche mark. West Germany's central bank, as

A Bundesbank report said the economy is healthy. Page 18.

announced Monday in Toronto, raised its interest rate on securities

crease aims to tamp down infla-

ncreases by other industrial na-

to the dollar Monday in New York, was fixed lower at 1.7576 Tuesday

The Bundesbank called for tenders Tuesday on 28-day securities repurchase agreements at a fixed 3.50 percent rate. That was the first change in the repurchase rate since the Bundesbank lowered it to 3.25 percent last Nov. 25. The move was decided last week by the Bundesbank's policy-setting council, A news report Thursday on the decision pushed German

money market interest rates higher.
"We see no real need for it," said Peter Pietsch, an economist for Commerzbank AG. "There is no

inflationary pressure in the foresee-able future, the Deutsche mark is

hardly weak and while our economy is growing unexpectedly well, it won't be helped by this."

West Germany's M-3 money sopply is expanding at a rate well-above the Bundesbank's 3 to 6 per-

Gert Schmidt, an economist at

Industriekreditbank AG in Düsseldorf, saw "no fundamental reason

to put the interest-rates brakes on

the economy right now."

A currency dealer for a U.S. bank in Frankfurt said, "Specula-

tors are buying currencies with higher interest-rate yields, looking for quick gains, like the dollar and the Australian dollar. This is not

enough of a rise to make the mark

attractive for those people."

Gerhard Stoltenberg, the finance

minister, attempted Tuesday to

downplay the increase's impact on

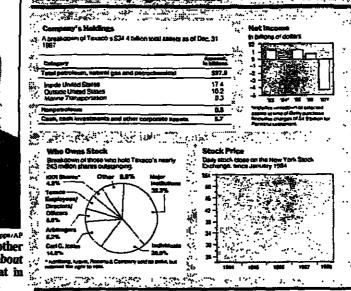
world markets, remarking in To-

ronto that the move was a minor adjustment to monetary policy.

cent target range.



Carl C. Icahn is leaving other investors to speculate about his plans after his defeat in the Texaco proxy battle.



### All Eyes on Icahn's Texaco Shares Proxy Battle Is Over, but Investor's Plans Are Unclear

proxy battle, closed at \$48 on the New York Stock Exchange on Tuesday, up \$1.50 a share on rumors of a stock buyback. Compiled by Our Staff From Dispatches NEW YORK - Now that Carl C. Icahn has conceded defeat in his proxy battle with Tex-

aco Inc., attention is focused on his plans for the 14.8 percent stake he owns in the company. Mr. Icahn, who had been fighting for board representation at Texaco in order to put a \$60-ashare acquisition offer for the company to a vote by sharehold-ers, admitted the loss after Kohlberg, Kravis, Roberts & Co., said Monday it voted its 4.9 percent

Texaco stake with management.
"I am of course sorry that I did
not win, but so be it," Mr. Icahn. who is chairman of Trans World Airlines Inc., said in a statement on Monday. Mr. Icahn said last week that if

he lost the proxy vote he would seriously consider selling his Texaco shares. But he made no mention of his plans in the statement on Monday.

Neil Call, executive vice presi-dent of D.F. King, Mr. Icahn's proxy solicitor, said the investor was evaluating his options, in-cluding "whether to hold the shares, sell, go for a hostile offer or look for a partner." It is thought unlikely that he

would merely dump the shares because that would depress their Texaco's stock, which traded Analysts have pointed out that

Mr. Icahn has a paper profit of more than \$570 million on his Texaco holdings, on the basis of a price of \$50 a share. Even with substantial fall in the share Mr. Icahn is

considering several options, but dumping the Texaco stock is unlikely to be one of them.

price, a lesser profit might look attractive, they said.

"There's still hope around that something's going to happen," said Bruce Lazier of the Prescott, Ball & Turben brokerage. He said he believed Mr. Icahn would sell his shares but that a possible buyer would be a party interest-ed in majority-owned Texaco Canada Inc., such as Gulf Canada Resources Ltd.

Mr. Icahn, who previously held talks with Texaco Canada around \$50 a share during the about possible involvement in a

takeover of Texaco, would not comment on the speculation.

Mr. Icahn had been seeking to

elect himself and four associates to Texaco's 14-member board in hopes of bringing to a sharehold-er vote his \$60-a-share takeover proposal, which valued the company at about \$14.5 billion.

He said on Friday in Tulsa, Oklahoma, where Texaco's anmual meeting was held, that he would consider making a hostile tender offer if he lost the proxy fight but also might simply sell

For tax reasons, he would wait until late July, he said. Kohlberg, Kravis, an invest-

ment firm that specializes in buyouts, said that it sided with management because it was "impressed by the restructuring steps" Texaco has taken since emerging from bankruptcy proceedings in April. It also said that it "is supportive" of Texaco's restructuring efforts planned for the months ahead. The restructuring plan has been aimed in part at fending off Mr. Icahn's overnires.

Although solvent, Texaco filed under Chapter 11 of federal bankruptcy laws in 1987 after a Texas court ordered it to pay \$10.3 billion to Pennzoil Co. for illegally interfering in Pennzoil's bid to acquire Getty Oil Co. Tex-See TEXACO, Page 15

### U.S. Thrifts Lost \$3.8 Billion In First Quarter

Compiled by Our Staff From Dispatcher WASHINGTON — U.S. Savings and loan institutions incurred a near-record loss of \$3.8 billion between January and March, com-

The board said the overall loss was the result of increased losses by the 10 percent of the industry which is insolvent, mainly institu tions located in Texas.

The board previously reported a fourth-quarter 1987 loss of \$3.2 billion and a loss of \$6.8 billion for the year. Those figures were revised in Tuesday's report to a record \$3.81 billion for the quarter and \$7.6 bil-

lion for the year. The latest figure means that since last fall, the industry has been losing money at a rate of more than \$13 billion a year.

It is also one of the clearest signals to date that the bank board has yet to make a major dent in solving the problems generated by more than 500 insolvent savings and loan associations and another 300 to 500 institutions with very little net worth. Thrift deposits of up to \$100,000 are insured by the govern-

Some analysts have raised the possibility of a federal bailout of the troubled institutions, with U.S. taxpayers footing the bill.

In a study of banking failures released Monday, the comptroller of the currency contended that the primary cause of the problems is mismanagement. The study runs sharply counter to the view of many bankers and savings-industry executives that the economy is primarily to blame.

The first-quarter figures show that the thrift industry's troubles are becoming more concentrated in the Southwest, said James Barth, the FHLBB's chief economist.

Of the first-quarter loss, \$3 billion was recorded by 20 of the most unprofitable thrifts, which are for the most part located in Texas. Mr. Barth said 117 Texas thrifts were classified as insolvent.

Nationwide, 344 insolvent thrifts had losses of \$4.4 billion, up from

\$3.7 billion in the fourth 1987 quar-The Federal Savings and Loan Insurance Corp. is moving to merge or close insolvent thrifts to

pared with profits in the first quarter of 1987 of \$100 million, the Barth noted.

The FHLBB has estimated that the short \$23 billion to it will cost about \$23 billion to correct the problems of insolvent thrifts, while the General Accounting Office has estimated the cost at

\$29 billion to \$36 billion. On a positive note, preliminary figures for April indicate that savings and loan institutions nationwide are improving and may have registered an operating profit that month, Mr. Barth said.

However, analysts said the continuing deterioration of the industry confirms their predictions that the ultimate cost of liquidating insolvent savings associations or merging them will be higher than the bank board has predicted. (NYT, Reuters)

#### Brazil Agrees With Banks on Rescheduling

BRASILIA - Finance Minister Mailson da Nobrega announced Tuesday that Brazil has agreed with foreign pri-vate banks for the rescheduling of \$67 billion of its \$123 billion foreign debt.

Although the terms of the agreement were not disclosed, officials said that mediumand long-term loans amount ing to about \$62 billion would be rescheduled while new financing would amount to \$5.2

They said that interest will be 0.8125 percent over the London interbank offered

This is the best-ever accord that any Third World country has concluded," Mr. da No-

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**Company Results** Echtin

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Per Share 2,22
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McKesson Corp. Offers

\$500 Million for Alco Compiled by Our Staff From Dispatches SAN FRANCISCO — McKesson Corp. announced Tuesday that it will expand its wholesale drug distribution business by acquiring Alco Health Services for \$500 million. McKesson has agreed to purchase Alco, a McKesson has agreed to purchase Alco, a drug and health care products distributor based in Valley Forge, Pennsylvania, for \$30 a share in cash. A tender offer is set to begin June 27.

"The acquisition of Alco Health Services reflects our strategy of focusing our resources on the distribution of prescription drugs, health and beauty aids and general merchandise to

drug stores, supermarkets and mass merchan-dizers," said Thomas W. Field Jr., president and chief executive officer of San Francisco-based Alco Standard Corp. owns 50 percent of Alco Health Services' 13 million outstanding shares. Under an agreement, McKesson, which at present owns no Alco stock, will purchase Alco Standard's shares for \$30 each following the tender offer to the public shareholders, a McKesson spokesman said.

Analysts and industry sources end that the

Analysts and industry sources said that the acquisition of the No. 3 company in drug wholesaling will consolidate McKesson's posiwholesaling will consolidate McKesson's position as undisputed leader in the U.S. industry.

With Alco under its wing, McKesson, which now commands 23 percent of the market, will control at least 30 percent of the \$19 billion industry, according to the National Wholesale Druggists' Association, a trade group.

The agreement follows a series of mergers in the industry in the last five years that had left McKesson, Bergen Brunswig Corp. and Alco as the largest independently owned companies in the business.

McKesson recorded a profit of \$95 million on

McKesson recorded a profit of \$95 million on \$7.3 billion in revenue during the financial year ended March 31, the company said. It added that Alco earned \$18 million on sales of \$1.7 billion for the year ended Dec. 30. (AP, Reuters)

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NYSE Highs-Lows

INTERNATIONAL STOCK MARKETS

IN THE IHT EVERY TUESDAY A COLUMN ON NON-U.S STOCK MARKETS. ESSENTIA READING FOR INVESTORS AND PROFESSIONALS— WORLDWIDE

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### **3M Announces Minicomputer Line**

1988 revenue.

vices Group.

IBM said.

packages of programs.

of IBM's U.S. Marketing & Ser-

System 36 and System 38 computer

unable to run the same programs.

run the same software. Programs

written for the older machines can

be recompiled to run on the new

The computers range in price

from \$19,000 - not much more

IBM said the new computers all

The AS-400 family succeeds the

W YORK - International The machines are to be available in August. That is an unusually e of six minicomputers on short time after a product and day in what was called its largenouncement and would allow sales roduct announcement ever.

salysts said the new machines, m as Application System-400, an attempt to bolster the ailriddle part of IBM's computer uct line.

e company is battling Digital pment Corp. for leadership in sized businesses, a market described as "the biggest, st-growing segment of the T's economy.

e new AS-400 family repre-IBM's attempt to reverse the ange computers by offering as that are easier to use than nt machines and that give cusis room to expand without ig to change software.

e six computers were anced along with more than software packages from IBM 130 cooperating companies, programs are available for fields as retailing, manufacg finance, health, insurance-

abena Orders

out \$25 million, giving the

al an indicated value of \$400

The order is for four 144-

flect.

### GENERALE: Rivals Reach Truce on Belgian Firm

(Continued from first france page) 6 Boeing Jets The Associated Press RRUSSELS - Sabena, the managing director.

Mr. de Carmoy will share some algian national airline, an-unced Tuesday that it had

responsibility for the day-to-day dered 16 Boeing 737s as part running of Générale with Mr. a plan to renew and expand Lamy, whose position as governor of the board had given him full The price was not disclosed, nt a 737 typically sells for

Mr. de Carmoy, a Frenchman, said he will act to "deepen, and if necessary, accelerate" efforts to modernize Generale's subsidiaries has been pushing for Generale to and to concentrate the company's become a pan-European holding more than 1,200 holdings into appropriate industrial groupings.

Another special shareholders who are o

at Boeing 737-400s and 12 I-seat Boeing 737-500s, to a delivered at the beginning meeting is required to establish the the 1990s. The airline, rich is state-controlled, said position of managing director. A would have "a completely date for such a meeting, at which newed" short- and medium-Mr. de Benedetti also would likely be named to the board, was expectnl fleet by 1992

The machines are to be available market with a share of almost 24 percent, according to International

Data Corp.
But while IBM's market share has fallen since 1984, Digital to play a significant role in IBM's Equipment's has increased to just Also unusual is the amount of under 19 percent of the market, software to be immediately avail-International Data said.

able — an important consideration IBM's previous to challenge to DEC's growing presence was the ill-fated 9370 computer. David Wu, for businesses that rely on standard an analyst at S.G. Warburg & Co., "The announcement of these systems begins a new era of easysaid the 9370 had been a major disappointment to IBM customers. to-use processing power for commercial customers," said Edward But he said IBM's new series E. Lucente, the executive in charge would have enough features, in-

cluding its extensive software library, to create at least temporary shock waves in the marketplace. "IBM as a company will come lines, which, although popular, are back in market-share surveys over the next 12 to 18 months," Mr. Wu

said. "I think a reversal would be a

temporary phenomenon." Francis McInerney, an analyst at Northern Business Information, ones, although the system is more said IBM had faltered in the midable to System 38 software, range market partly because it had underestimated the capabilities of the personal computers.

"One of the things that really than expensive personal computers caught them unaware was the de-to \$229,500. The operating sysmand for personal computers," M's stock was higher after the uncement, rising \$2.875 to a share on the New York

billion worth of mid-sized comput
much more smaller ones."

#### French Firm Offers to Buy Essex Water

LONDON — Lyonnaise des Eaux of France announced Tuesday it has offered to acquire Essex Water Co. of Britain for about £47.6 million (\$85 million).

The friendly offer for Essex Water would pay 900 pence for each 3.5 percent consolidated ordinary share outstanding, 900 pence for each 3.5 percent ordinary share, 54 pence for each 2.45 percent preference share and 78 pence for each 3.5 percent preference Lyonnaise, which supplies

water, waste and energy sys-tems, said the offer had been accepted by shareholders controlling 41.6 percent of the voting stock. In the year ended in Decem-

ber, Essex, which supplies water to about 1.4 million people posted pretax profit of £5.8 million on revenue of £30.6

In the same year, Lyonnais reported pretax earnings of 1.1 billion francs (\$185.9 million) on revenue of 16.8 billion francs.

#### ers per year, and IBM leads the (UPI, AP)

Mr. de Carmoy, in a press conoperational responsibilities on the ference after the board meeting, board but does not carry the same said he had met with Mr. de Beneweight as chief executive officer or detti, although he declined to disclose the nature or tone of the talks.

Formerly head of world banking operations for Midland Blank PLC, Mr. de Carmoy implied that Mr. de Benedetti would be named to Générale's board and that he would have a measure of influence in determining the company's direction. The Italian business who is chairman of Olivetti SpA,

There's a place for shareholders who are on the board and on the executive committee to influence what the chief executive is doing," Mr. de Carmoy said. "Mr. de Benedetti has an industrial experience that can be tapped for the benefit

ments of Société Générale de Belgique in a fruitful and positive way, the approach taken."

London, speculated that Mr. de Benedetti may be viewing the compromise as "the first step" toward obtaining the influence he seeks.

son there," Mr. Bell said. trale shares to be re-issued on the share. stock market for public trading, although adding that it was "to

and I'm confident that this will be Andrew Bell, an analyst with the Phillips & Drew stockbrokerage in

"Once he's on the board, he may prove to be the most dynamic per-Mr. Lamy said he expected Gén-

handful of the company's shares were bought by the two investor

### Japanese Cars' Quality Edge Is Declining, U.S. Poll Finds

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By James Risen

Los Angeles Times Service DETROIT - The perceived "quality gap" between Japanese and U.S. cars appears to be narrowing, according to a recent report.

An annual survey of new-car owners in the United States and the problems they encountered shows that complaints about Japanese cars have increased in the past year while problems with cars made by U.S. automakers remained about the same. Even so, the Japanese did better than the

domestic car makers by a comfortable margin in the survey of problems reported by more than 30,000 owners of new 1988 cars. The poll was conducted by J.D. Power & Associates, an independent market research company. A year ago, the survey showed that new-car

owners reported 27 percent fewer quality prob-lems with Japanese cars than with vehicles made by U.S. manufacturers. This year, that number shrank to 18 percent, according to the J.D. Power survey. Quality problems reported with European models exceeded those of Japanese and American cars.

Reports of quality defects, however, continue to nag even the most successful domestic mod-els, such as the fast-selling Ford Taurus. Con-ment. sumer Reports magazine said in its June issue

Mercury Sable, which is similar, were experiencing "greater-than-average" repair problems. But some analysts said the findings of the

J.D. Power survey have stunned the Japanese

"I think the results have surprised a lot of people," said William Pochiluk, an industry analyst at Autofacts, a Paoli, Pennsylvania, market research company. Officials of the Japanese automakers empha-

sized that they believe the gap has narrowed only because the U.S. cars are improving, not because the imports are getting worse.

"All we can say is that the domestics are doing a better job than they did in the past, I think that is obvious," said Jim Olson, a spokes-

man for Toyota. "I think there is no doubt that Japanese quality is still better. Toyota quality has not gotten worse, it's just that the water level is rising." The survey "shows that Americans can pro-

duce quality products given the right incentives and management control," added Marty Schwager, Nissan's manager for customer satisfaction research. A Honda spokesman said company officials were unavailable for com-

The survey found that, for every 100 owners

that it found owners of the Taurus and the of Japanese cars surveyed, there were 144 problems reported, up from 129 problems for each

100 owners surveyed in 1987. By contrast, there were 176 problems reported for each 100 domestic car owners, down

from 177 problems in 1987. In addition, the survey found that overall, European cars received the most complaints from owners. Although several individual European car lines were highly rated in terms of quality, the entire European industry still lagged far behind the Big Three U.S. automakers and the Japanese, with 259 problems report-

ed, up from 190 last year. Owners of 156 different model lines were surveyed by J.D. Power, and were asked about 89 potential problem areas with their 1988 cars. The 12 major categories in the survey ranged from electric systems to water leaks.

One problem facing the Japanese and the Europeans in such a survey, J.D. Power offi-cials said, is that sharply rising prices on imported cars has led to sharply rising expectations from import buyers. Since the survey was limited to customers who had purchased their cars within the past 90 days, sticker shock could still be fresh in the owners' minds.

"Certainly, when you pay more, you will expect more," said Bruce Johnson, an analyst

### **Tomkins Tops Electrolux Bid for Murray**

Compiled by Our Staff From Disparches
LONDON — Tomkins PLC, a
British industrial holding compaIf the Murray deal is ny, said Tuesday that it has agreed to acquire Tennessee-based Murray Ohio Manufacturing Co., for \$224 million, forcing Electrohix AB to drop its hostile bid.

Tomkins will pay \$56 a share for the U.S. maker of lawnmowers and bicycles, topping a \$52-a-share bid from the Swedish appliance maker that Murray's board had rejected as inadeouate.

In Stockholm, an Electrolux spokeswoman said the company was withdrawing its offer because it regarded the Tomkins bid as too expensive.

"Electrolux does not find it economically justifiable to pay a higher price," she said. The spokeswoman noted that Electrolux had raised its bid last month from \$48 a

Tomkins shares were slightly early to say how and when" the change on Tuesday at 234 pence

Murray's stock also fell, by \$2.50 groups by last March, forcing Brus- to \$55.25, on the New York Stock sels Bourse authorities to scratch Exchange. The shares, which have of the company and all the invest- the stock from the official listing. traded as high as \$64, lost \$2,375 bired First Boston Corp. to help it share.

on Monday after Electrolux re-

If the Murray deal is completed, it will be the second buyout of a U.S. company by Tomkins in a year as well as being the latest in a string of recent British acquisitions in the United States spurred by the

In June 1987, Tomkins bought Smith & Wesson Corp., the arms manufacturer, for \$112.5 million.

"The acquisition of Murray represents the next logical step in Tomkins's efforts to expand its U.S. operations," said Gregory Hutchings, the Tomkins chairman.

"Murray will also complement our existing lawnmower and turf care equipment businesses, Hayters and Beaver, providing significant opportunities for sharing products, technology and distribution networks."

### Simmons Faces a Takeover

strong pound.

CHICAGO — Simmons Airlines Inc., a regional U.S. carrier, said Tuesday that American Airlines is considering acquiring it.

A brief company statement did not give further details.

Simmons is the United States's lower on the London Stock Exfourth-largest regional airline, serv\$15 a share in over-the-counter
change on Tuesday at 234 pence ing 34 cities in the Midwest and trading on Tuesday. On June 10, it process would occur. All but a (\$4.18) from a close of 236 pence providing feeder traffic to American hub and a service to the Detroit hub of Northwest Airlines.

evaluate merger opportunities. Simmons's stock has risen recently on speculation that it would receive a buyout offer, most likely one from American, which has been purchasing small regional carriers that feed passengers to it.

Simmons stock rose 62.5 cents to Matt Robbins, an airline indus-

try analyst at the Rodman and Renshaw Inc. securities company, On Monday, Simmons said it said Simmons might be worth \$18 a

#### Pao Units Buy Hotel Firm for \$135 Million

Compiled by Our Staff From Dupatche HONG KONG - World International (Holdings) Ltd. and its affiliate Wharf (Holdings) Ltd. said Tuesday that they are buying the U.S.-based Omni Hotels Group for \$135 million in cash.

The companies, controlled by the Hong Kong business-man Sir Yue-Kong Pao, will buy the 14th-largest U.S. hotel group from Aer Lingus, Ire-land's national airline.

The two local property conglomerates said they are to be equal partners in the venture. They already own and manage three hotels in Hong Kong and one in Singapore.

Omni manages 27 hotels and runs 12 others as franchises, holding equity interests in six of the total 39. It has plans to expand to 60 hotels in two years and is expected to report 1988 revenue of \$436 million. (Reuters, AFP)

### -EXACO: Future of Icahn's Stake Remains Unclear

waco settled the case and no action at all. tion, Texaco has begun selling o \$5 billion of assets, and it 's to distribute \$1.7 billion of

roceeds to stockholders. xaco has already finalized s to sell its West German subry. It also said last week that it d sell 50 percent of its refining marketing system in the east-ind southern United States to li Arabia for \$800 million. chiberg. Kravis said it no longalds any Texaco shares. Proxy were granted based on stock arship as of April 12. The com-

said it would consider buying

in the future, "depending on tet and other conditions." statement raised the possibiliat it would remain in the wings possibly work with or against co management, analysts said. ked why Kohlberg, Kravis

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eventually bought Getty interested in connection with acc, but also noted that it may take Co.
Kohlberg Kravis's role was a

Chapter 11 proceedings by into the market in the days before day, when a block of 7.7 million as 33 billion to Pennzoil. In the stock when they bought it. They on whether the voting rights had sell the stock, and then they vote gone with the stock. for management," he said.

aco and another with close ties to er. the company said a factor behind it may have been anger that the Wall Street firm's plans had become

Henry Kravis, one of the firm's the funds that he was setting up a partners, had told him that if Texaco put Icahn's \$60-a-share bid to a shareholders if they approved his shareholder vote, Kohlberg, Kravis takeover and he failed to carry it might make a higher bid.

its 12 million shares, a spokesthe good graces of its second-large pears to have succeeded in convincsaid: "The stock reached a est shareholder. It is suing Mr. ing many institutional investors twhere it made sense for KKR Icahn, alleging he manipulated its that the deal was not likely to come il it." The spokesman said the stock by illegally coordinating purabout. (NYT, Reuters, LAT, WP)

timed from first finance page) company remains "flexible and in- chases in January with Kohlberg

xaco settled the case and Some traders criticized Kohl matter of intense speculation for ced the way for its emergence berg. Kravis for selling the stock weeks, especially after last Tueslast Friday's annual meeting, shares of Texaco was traded. The "They burt the street very badly," seller was rumored to be Kohlberg, said one trader. "Everybody chased Kravis, and speculation centered

Analysts said Monday that that Commenting on the Kohlberg, sale appeared to be the last of Kravis decision to back Texaco's Kohlberg, Kravis's stock, with its management, an executive at Tex- other shares having been sold earli-

Throughout the proxy battle, a key issue was the credibility of Mr. Icahn's offer to buy the 85.2 percent of the company that he does When Mr. Icahn was questioned not own. He did not have financing under oath early last week in a suit lined up for the deal, but said that against him by Texaco, he said that he was so confident he could obtain

Texaco had taken care to stay in The company's management ap-

ove. Ed. Dopples or P.O. Box 2290 1002 LAUSANNE, Switzerland.

Tel: 021/27 38 33.

### WARDS: BBDO Wins Twice

kfurt and Tokyo to explain lopments in manufacturing service industries. Australia rough tight fiscal and monepolicies and rising prices for
modities, particularly wool. ic value of the Australian dol- Publicis, another London agency

painst the U.S. dollar rose to 82 owned by the French, would be cents this week, almost a four-unaffected by the move. high, as offshore investors icularly Japanese, bought

ss than two weeks after maka acquisition in Atlanta, Brit-Sandwick PLC, the world's st independent public relason & Co. in New York and munikations Marketing in It was Shandwick's 11th h American acquisition.

se Rubenstein operation had d to add \$1.8 million to dwick's annual revenues.

London, the recently formed face of Foote, Cone & Belding munications, a giant in the ncome last year of about \$2

timed from first finance page) United States, and Publicis Com-**BUSINESS SCHOOL** munications, a huge French com-LAUSANNE pany, will create a new entity by Seminar M.B.A. merging FCB London with Mallett McCormick, one of two Publicis Take the eighteen subjects of the M.B.A. in modular units (3 subjects each time), for 3 days, every 3 months. Three years completion time necesa years completion was busines. Minimum of 5 years busines necessary plus GMAT.

(AP, LAT, AFP, Reners)

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MARKETS ESSE MARKETS ESSE MG FOR INVESTIGATION OF PROFESSIONAL Knoedler-Modarco Ltd. with coupons Nos. 1-20 attached thereto can be obtained free of charge as at June 7, 1988

By order of the Board of Directors Dr. Armand HAMMER Chairman

### MARKS & SPENCER

#### Group Performance

In the last year, Marks and Spencer Group sales increased by 8.5% to £4,5576 million. Profits exceeded £500 million for the first time, increasing by £69.6 million - up 16.1%. Overall profinbility went up from 10.2% to 11.0%. Dividend per share increased from 4.5p to 5.1p and earnings per share were up 17.3% from 10.4p to 12.2p.

**UK Sales** Our UK store sales increased by 9.6% to 4,173.6 million, 7.6% being volume growth. Clothing sales showed particularly strong

growth in the second half of the year and increased by 7.8% to £2,016.0 million. The sales of the Homeware and Footwear Division increased by 8.7% to £486.3 million as

expansion of the ranges continued. Food sales increased by 12.0% to £1,67L3 million, significantly ahead of national retail food sales.

#### Store Development

During the year, £125 million was invested in store development. Selling space increased by 545,000 sq. ft and a further 2 million sq. ft were modernised. We plan to add over 400,000 sq.ft of selling space in the coming year and modernise a further 1.5 million sq.ft.

The year saw the redevelopment of our premier store at Marble Arch completed and the opening of our second edge of town store at Cheshunt.

#### Investment in Technology

£40 million was invested in developing information technology and we became the first major UK retailer to introduce electronic cheque

We have opened a computer centre employing 450 people to deal with the developments and to support our company's growth into

### Financial Services

There are now over 2 million chargecard holders and sales on chargecard increased by 47% to 13.4% of turnover.

#### International

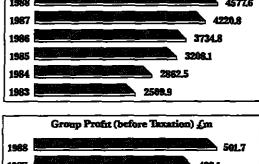
European sales increased by 13%, with profits up by 50.6%. A particular highlight was the opening of our fourth store in Paris and we are continuing to seek further opportunities for

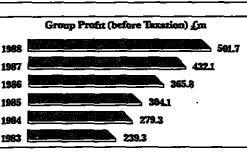
Overall, sales in Canada were disappointing and reflected poor levels of consumer spending generally. However, the D'Allairds Division maintained its satisfactory rate of profitability.

The recent acquisition of Brooks Brothers. together with certain preferential and exclusive rights for food and clothing retail sites will give us an important introduction into the USA. And our expansion plans will continue in the Far East where we successfully opened our first store in

Hong Kong. We are confident that our current growth and investment plans will ensure that our shareholders, our staff and our suppliers will continue to share in our success.

Group Turnover (excluding Sales Taxes) £m





We are pleased to announce that both Moody's and Standard & Poor's have recently reaffirmed our rating for long term debt as AAA. This is particularly important after our recent acquisition of Brooks Brothers. We are still the only retailer in the world with this rating.

If you would like to receive a copy of the Marks and Spencer Annual Report please complete and send the coupon.

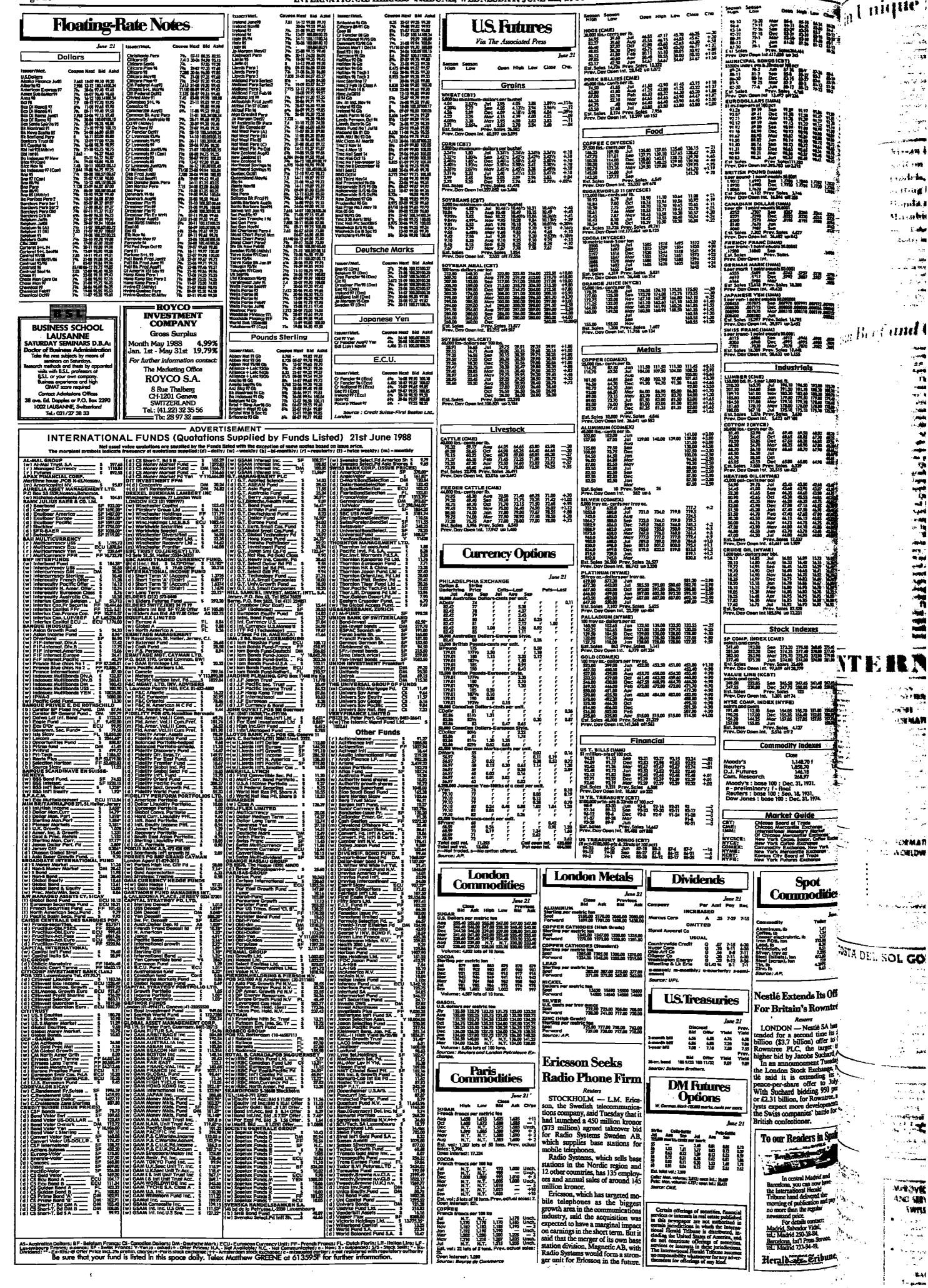
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### lissan, in Unique Move, Cuts Prices

OKYO - Nissan Motor Co., move to regain market share, Tuesday that it will cut the es of some four-wheel-drive in Japan by as much as 4 ent, the first reduction ever in dard domestic prices by a Japse car maker, excluding dealers'.

he price cuts on the 1.5-liter cles will take effect July 1. he move by Japan's No. 2 autoer is part of an effort to reverse ide that began when it over-nded its foreign operations and judged domestic customer judged domestic customer
s, industry analysts said. It still
s a tough battle to regain dos a tough battle to regain dotic market share, they added. be decision "is indicative of the that Nissan is making a strong nt to recapture ground in the jestic market," said Tony er, an analyst with SBCI Secus (Asia) Ltd.

ntomobile industry sources said an's prices were about 20,000 (\$158) higher than those of simichicles made by Toyota Motor Japan's biggest car maker. he selling price of nine versions ne Sunny, Laurel Spirit, Langand Liberta Villa models are to sales slipped in volume while the market grew," said a Japanese anaprice range of 1.38 million to million yen in the Tokyo area.

· =

Industry sources said that other . prices on four-wheel-drive vehicles. for which domestic sales rose 25.2 percent to 269,000 in 1987 from the

DIEVIOUS YEST. While Toyota's share of total domestic vehicle sales has remained stable at about 31 percent, Nissan's has dropped to about 17 percent from 25 percent a decade ago, Mr. Mover said.

Recently, buoyant domestic demand for cars has helped boost

> Nissan is 'doing well on certain models, but is getting hurt by Honda and Mitsubishi. Steve Usher.

industry analyst Nissan's sales along with those of other automakers. "For the last seven years, Nissan

market grew," said a Japanese analyst. "In 1987, volume growth

Strong domestic sales helped th car makers also are likely to cin parent company rebound to a 47.61 billion yen operating profit in the financial year ended March 31 from an 8.45 billion yen loss the previous year, analysts noted.

But Nissan's domestic growth has still been outpaced slightly by the market as a whole, causing its share of the passenger car market, excluding minicars, to slip to 24 percent from 25.1 percent a year earlier, said Shigeo Nakagawa, an analyst with Nikko Research Cen-

However, rising sales volume means the company now has scope to reduce some prices in an effort to regain market share.

The domestic market is strong, Nissan's earnings are up, so they have the capacity to reduce prices," Mr. Nakagawa said. But staging a successful come-back will not be easy, analysts said. identifying a market and providing

Although Nissan has succeeded with some of its higher-priced do-mestic models, it still faces stiff

to two other Japanese car makers. "They're showing strong signs of creasingly willing to pay for luxury,

#### Toyota Plans Record Issue

Agence France-Press TOKYO - Toyota Motor Corp. has said that it plans to issue 300 billion yen (\$2.38 billion) of domestic bonds in July convertible into shares, the largest such issue by a Japanese company.

Toyota first issued convertible bonds in December 1986, totaling 200 billion yen. The new bonds will carry a

maturity of nine years, but the rate of interest and the rate for conversion into equity are still undecided, the company said on Monday. The proceeds will be used for new technology and new products, it said, and for plant investment.

competition.

"They're doing well on certain models, but by and large they're getting hurt by competition from Honda and Mitsubishi," said Steve Usher, an analyst with Kleinwort Benson International Inc., referring to two other languages car makers.

#### products the market wants, but at the same time they have a whole

a market where consumers are in-

### S.-Japan Beef and Orange Accord Ends Major Dispute three years. On April 1, 1991, Japan is to drop quotas and set a tariff rate of 70 percent for the

By Susan Chira New York Times Service

OKYO - The settlement on Monday of a of the most contentious trade issues ben the United States and Japan.

fter months of negotiations, Japan agreed iday morning to end all quotas on imports eef and fresh oranges in three years and on uge juice in four years. By U.S. estimates, concession could amount to more than \$1 on in additional annual sales

sef and oranges carry artificially high prices upan, and Japanese farmers expressed outover the agreement, saying they could not to win a price competition against the orts. U.S. officials expressed satisfaction

ne symbolic value of dropping the quotas outweighs the importance in reducing the trade deficit with Japan. Australian beef is expensive than U.S. beef, and open markets apan could benefit the Australians even e than the Americans.

onsiderable tension persists over Japan's trade surplus with the United States billion last year - but since Prime Minister oru Takeshita took office in October, prohas been made on several trade issues. he dispute over beef and oranges was one of toughest issues because Japanese farmers the core supporters of the ruling Liberal ocratic Party. It served as a test of Mr. shita's ability to handle relations with Jas most important ally and trading partner. nder the accord signed Monday, quotas on

Sign is - now limited to 214,000 metric tons a

first year; the rate would fall to 50 percent by April 1, 1993.

The United States also won a long-sought concession - allowing American beef producers to export directly to Japan. This means cutting out the Livestock Import Promotion Council, a quasi-governmental body that has limited imports by setting high prices and controlling distribution.

After the quotas end, Japan would have the right to impose an additional 25 percent tariff if imports increase by more than 20 percent from the previous year.

Quotas on fresh oranges also are to increase gradually, ending by April 1, 1991, after which Japan would impose the same tariffs that now apply, ranging from 20 percent to 40 percent. Quotas on orange juice concentrate are to end by April 1, 1992. Japan is also to end by April 1, 1990, the requirement that all imported orange juice be blended with juice from oranges

"If you look at the agenda when Mr. Take-shita went to meet President Reagan in January, this wipes the slate pretty clean," said a tern diplomat who has followed the beef and orange talks. "Mr. Takeshita brought a fair amount of pressure to bear on the party and the Agriculture Ministry to come up with something. I'd give him half the credit and half to other circumstances."

These other circumstances included the fact that Japanese farmers, and the politicians who represent their interests, are girding for other battles and apparently concluded that it was

The Liberal Democratic Party has proposed an overhaul of the Japanese tax system that would end up forcing farmers - who pay lower taxes than do salaried employees — to pay more. The Ministry of Agriculture is also proposing a cut in rice prices, which have been set artificially high for decades as a way to support

With these other issues looming, the powerful agricultural politicians yielded to pressure to make some concessions on beef and oranges

To assuage farmers, Japan's government is expected to offer them substantial subsidies. The number of beef cattle raisers and orange growers has been steadily declining and now numbers about 600,000 families, just 14 percent of Japan's farm population. Takekazu Ogura, an authority on Japanese agriculture who served for many years in the Japanese government, said opening the beef market would also hurt Japan's dairy industry, because many of Japan's beef cattle also are used for milk.

Politicians and farmers resisted opening the peef and oranges market for so long because they feared that the United States would next take up Japan's quotas on rice. Japanese rice prices are several times higher than world levels, but the idea that Japan should be selfsufficient in rice remains sacrosance to many Japanese. U.S. officials remained noncommittal on the question of rice imports Monday.

Although the United States retreated from

several of its negotiating positions, U.S. offi-cials said they were delighted with the agree-ment. The United States had originally pressed Japan to end its quotas faster and had resisted Japan's demand to impose emergency import estrictions if beef and orange imports soured.

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U.S. Consumer Price Rises

WASHINGTON - U.S. consumer price increases slowed in May

for the second consecutive month as an earlier surge in clothing

prices came to an abrupt halt and food price rises moderated, the

Economists said the drought that is plaguing Middle Western

The consumer price index, a widely used measure of inflation, rose

a seasonally adjusted 0.3 percent in May after gains of 0.4 percent in

For the first five months of 1988, prices rose at a 4.4 percent

annual rate, identical to the advance for all of 1987, the department

said. In the 12 months ended in May, prices rose 3.9 percent, it said.

director of the Georgia State University Center for Economic

"It continues to show that regardless of what's happening with import prices, or even what's happening down on the farm, the consumer only has toleration for so much," Mr. Ratajczak said.

Gasoline prices rose 1.6 percent in May after a 1.1 percent rise in

April. Such a rise is not unusual at the start of the vacation season.

percent gain in April as price increases slowed significantly for most

Food and beverage prices rose only 0.4 percent in May after a 0.6

There's some moderation in this report," said Donald Ratajezak,

farm regions has had little impact on consumer prices so far.

April and 0.5 percent in March, the Labor Department said.

Further Abated in May

government announced Tuesday.

#### **CURRENCY MARKETS**

### **Dollar Declines on Profit-Taking**

NEW YORK - The dollar slipped Tuesday against most major currencies in New York as dealers took profits, after the currency ended mixed in quiet European

Dealers said that the communique from the Toronto summit meeting of the Group of Seven major industrialized countries had little impact on trading. The G-7 issued a warning against excessive dollar fluctuations.

This means we'll be trading in bands just as we have been doing in the past few months," said Peter Medlock, chief dealer at Société

Générale in London. In New York, dealers sold for profits after the dollar failed to extend its gains past 1.76 Deutsche marks, an eight-month high.

The U.S. currency finished at 1.7553 DM, down from its close at 1.76 DM on Monday. However, it edged higher to 126.42 yen from 126.27.

The dollar eased, though, against other European currencies, slip-ping to 1.4590 Swiss francs from 1.4625 and to 5.9230 French francs after 5.9355.

The British pound rose to \$1.7895 from \$1.7853.

Market participants remained generally positive about the dollar, although some suspect that historic currency movements and continued selling by the Bundesbank, the West German central bank, imply

a pullback is due against the mark. "There were signs the dollar was struggling a little bit today," said David Sawyer, a vice president of foreign exchange marketing at First Chicago in London. "A cor-

rection might happen anytime."
"I think the dollar is well supported," said Earl Johnson of Har- growth was 0.8 percent. ris Trust & Savings Bank. "But I

**London Dollar Rates** 

francs from 5.9285. Dealers in London noted the

don't see a serious run at 1.80 DM, In London, the dollar closed at rise in the West German central 1.7580 DM, down from 1.7595 at bank's repurchase rate on Tuesday Monday's close. The U.S. currency ended firmer against the Japanese expected. yen at 126.45 yen, up from 126.18

However, it weakened slightly exchange rate considerations, after reports on the G-7's draft communique. Mr. Medlock said some market participants had advantage of the pound's rehoped for some form of encourage- fall to initiate a rise in base rates to ment to push the dollar higher.

"People who were long on doling to build up in the economy.

curb inflationary pressures appear-

FRANKFURT — The West German econo-

A Bundesbank report said, "Growth in pro-

duction went together with a wide-ranging im-

provement in business confidence after the tur-

bulence on the stock and currency markets towards the end of last year had had a tempo-

It said the West German economy grew by a seasonally adjusted 1.5 percent in the first quar-

The rate was distorted by a mild winter,

which gave an exceptional boost to building

Further growth at this rate would yield annu-

| 1897 | 674 | Chapter | 285 | 285 | 284 | 187 | 287 | 288 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 |

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activity, it said. But even without this factor,

my is healthy and should continue to grow at a respectable rate, with prices remaining steady,

the country's central bank said Tuesday.

rary negative effect."

ter over the last quarter of 1987.

lars could get frustrated," he said. The British pound ended slightly firmer at \$1.7855, up from \$1.7845. The French franc also gained against the dollar, rising to 5.9295

pound held firm against currencies other than the dollar, although the Bank of England did not signal a rise in base rates in its money market operations Tuesday morning. This was despite a quarter-point

"The time is not yet right" for a British base rate rise because of exchange rate considerations. Mr. British authorities have taken advantage of the pound's recent

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**Bundesbank Predicts Healthy Growth for West Germany** improved in the manufacturing sector since the

start of the year.

The Bundesbank also said corporate profits were moving ahead, helped by the absence of est rates and no inflation, he said. cost pressure on margins and by support from outside the economy in the form of cheaper

Firm private consumption in the first quarter of the year looked likely to continue, with very high orders for domestic consumer goods.

The number of people with jobs rose to 26.08 the yen — which could intensify million in April, 60,000 more than in December 1987 and 115,000 more than in April 1987. short-term money market rates

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2.27 million people, however, 10,000 more than at the end of 1987 and 50,000 more than in May

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Rise Foreseen in Yen Interest Rates !! Expectations Persist Despite Efforts by Bank of Japan

TOKYO - Money dealers in Japan continue to expect a rise in yen interest rates despite Bank of Japan attempts to defuse such

The bond market majority sees higher interest rates from later this month on seasonal factors," said Yuichi Kaneko, assistant general manager of Dai-Ichi Kangyo Bank

The Bank of Japan bought government bonds totaling 246 billion yen (\$1.95 billion) on Friday, just ahead of the economic summit meeting in Toronto, and it bought 50 billion ven on Tuesday.

A Bank of Japan official said the

bank bought bonds in an effort to ease fears of higher yen interest

rising rates, he said. The official said the Bank of Japan would not change its basic monetary stance

But Mr. Kaneko of Dai-Ichi said the seasonal uptrend in rates would be accentuated if the yen did not strengthen.

The strong yen had enabled Japan to post a good economic performance and maintain low inter-A current bullish sentiment for the dollar means there is more chance of the U.S. currency rising if monetary policy coordination loosens after the summit meeting, mon-

ey dealers said. But they said the central bank could moderate a dollar rise against the yen — which could intensify

about a possible worsening of the my's central bank, raised its im-

what" long term.

Mr. Sumita also said the central eral of the Finance Ministry's bank expects the Japanese econo- ternational Finance Bureau, said my to continue growing at a rela- Toronto on Sunday: "We we tively high rate.

"In the face of firmer dollar sen- tary stance." timent, the central bank would impose a brake on strong economic ficials said, money dealers expension — but little by little," three-month bill rate rise said Tetsuva Dezuka, general manager of New Japan Securities Co.'s demand for funds in time for bond department.

He added that the Bank of Japan's basic accommodative credit stance will not in itself achieve the bank's target of sustained economic growth without inflation.

if the Bundesbank, West Germa- chase operations.

about a possible worsening of the price environment over a "some tant money-market repurch rate, Makoto Usumi, director, and the Figure 1.

need to change our current mo But despite what government

Such a rise would cover expec interim or annual closing of counts at the end of September Japanese corporations.

Many traders had expected bill rate to rise last Friday, but central bank instead injected by Asked if Japan would follow suit into the market through hond a

### EC Court Directs Britain To Widen VAT Collection

LUXEMBOURG - The European Court of Justice on Tuesday surance companies. ordered Britain to widen the application of its sales tax in a ruling have to decide whether to than that affects the country's construc-

tion industry. The judgment, a rare attack on a national tax system, came as the Confederation said the additional tax system. The judgment, a rare attack on a European Community is trying to annual tax burden on construc push members to standardize their work would be between £255,

indirect taxes by 1992, the community's target date for the establishment of a single market. The Luxembourg court, whose Peter Lilley said the government

rulings are binding, said Britain would change tax rules to see should charge value added tax on the impact of the ruling all goods and services that do not A complex system allows in go directly to the final customer.

plies to industry and on the say of news services to banks an Legal experts said Britain w

percent, or a lower rate.

lion and £630 million (\$450 mil and \$1.1 billion). In London, Economic Secret

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Tuesday's

This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value.
It is updated twice a year. Via The Associated Press

12 9 147/55 157/54 157/

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al growth of more than 3 percent, the Bundes-

"As this illustrates, the German economy had an unchanged positive trend at the start of the current year. Important indicators of demand suggest that the economic forces for growth have if anything increased," it said.

The Bundesbank said domestic demand was the main source of West German growth, rising by 2 percent from the previous quarter, adjust-ed for seasonal factors and inflation. The strength of domestic demand helped the

economy shift away from its previous dependence on exports, the bank said. The irritations, which the turbulence on the

stock and currency markets brought with it, have been immediately surmounted by the economy," it said. The report said business expectations had

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Employment rose, but not as quickly as the number of people seeking jobs.

Unemployment at the end of May totaled higher.

The governor of the Bank of Japan, Satoshi Sumita, said earlier this month that he was concerned Sales in Nat Drv. Yid, 100s High Low 4 P.M. Chige 12 Menth High Low Stock

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### GLOBAL FINANCE

**October 3, 1988** 



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O New York Times, edited by Eugene Maleska.

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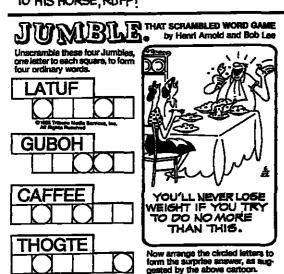
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LOOK AT THAT CRAZY COWBOY TALKING TO HIS HORSE, RUFF!"



Jumbles: PROXY HEFTY BALLAD FUNGUS What she said when her rejected suitor threatened to jump off the cliff.... THAT'S ONLY A "BLUFF"

WEATHER

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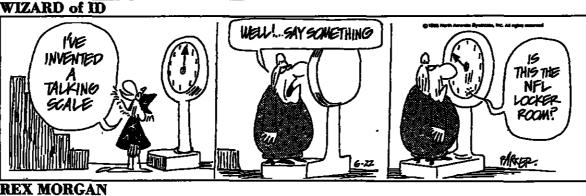
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ANDY CAPP









and Barbara Norante of Renfrew, Pa. Their score of 76.29

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The best performance in the New York metropolitan region trump, and South drew trumps was 73.21 by Ron Gerard of and led the diamond nine for a White Plains, who had the

tional mixed team title in 1969,

By Alan Truscott

STEINBECK

Worldwide Epson contest held should generally be preferred, on the club ace. Horwitz and Norante made They are Jan Horwitz of the right choice on the dia-South. The three no-trump bid showed exactly what North held, 16 points with 4-3-3-3 

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America playing at the Bridge with diamonds and was Deck in Hartsdale, N.Y. with diamonds and was tually able to discard be A partnership from the Philadelphia area headed the field of 84,000 pairs in the suit with internal solidity that the discard be small hearts, one on an lished diamond and the

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**BOOKS** 

THE KIROV AFFAIR

By Adam Ulam. 404 pages. \$19.95. Harcourt Brace Jovanovich, 1250 Sixth Avenue, San Diego, Calif. 92101.

Reviewed by Anthony Hyde

LATE in 1934, Sergei Kirov, the head of the Communist Party in Leningrad, was shot dead by a young student, Leonid Nikolayev, in an assassination whose details, even today. remain a mystery. Almost certainly, Stalin had a hand in it, and he used the subsequent investigation - which he personally super-

vised — to launch the first of his great purges. Initially directed against old Bolshevik comrades, the purges ultimately spread to every sector of Soviet society. By the end, the revolu-tionary party of Lenin (and Leningrad) was transformed into the bureaucratized dictatorship of Moscow. In a fundamental sense, it is this revolution, beginning with Kirov's mur-der, that created the Russia we know today.

Few people know that Russia better than Adam Ulam, the director of Harvard's Russian Research Center. His historical writings are standard texts, but in "The Kirov Affair," he has written a novel that tries to imagine the whole dreadful business from the inside. Though the book occasionally has the air of a scholar putting his feet up, it is nonetheless a fascinating account of the evolution of Soviet power from Stalin's time to the present detailed, realistic, convincing.

At the heart of the story is Mikhail Kondra-

tiev, a Politburo member maneuvering to become general secretary of the Central Committee when the incumbent, a Brezhnev-like figure, finally dies. But old skeletons are rat-tling in his closet. As a young Komsomol member in Leningrad, he was one of the last people to see Kirov alive, and the secret he learned still haunts him. To make matters worse, an American academic — Professor Ulam indulging a fantasy? — has inadvertently discovered the truth in an old archive.

There are some fine passages here. Kondratiev's rationalization to himself of Stalin's brutality is entirely convincing, and Stalin himself is a gruesome delight, ruthless, petty, finally mad. People like Molotov and Khrushchev are captured in smaller portraits, but equally good.

Having recommended the book in this way,

Solution to Previous Puzzle

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however, I would want to make two critical Kondraties's "secret" is the hook that keep reading, but the revelation, when it in comes, is simply not powerful enough, in a fictional or historical terms. More importa the novel suffers from a certain lack of pen tive. The story is told entirely from inside structure of the Soviet establishment — K. linology, if you like. But how accurate a pic unology, it you like. But how accurate a part does this give us of power in the Soviet Un Of course, this may be part of Ulam's p But it means that his final question—Stalinism necessary?—is left dangling only one side of the story, we have no wright judge. Still, Ulam knows how to tell a grip and powerful tale.

Anthony Hyde, the author of the navel Red Fox," wrote this for The Washington,

**BEST SELLERS** 

The New York Times
This list is based on reports from more than 2,000 bod, strong hour line United States. Weeks on list are not one

FICTION

ZOYA, by Danielle Strel LOVE IN THE TIME OF CHOLERA by Gabnel Garcia Marquet ..... THE ICARUS AGENDA, by Robert Luc-THE BONFIRE OF THE VANITIES, by THE BONNING OF THE VANITIES, by Tom Wolfe
PEOPLE LIKE US, by Dominick Dame
CRIMSON JOY, by Robert B. Parker
ROCK STAR. by Juckie Collins
FREAKY DEAKY, by Elmote Leanord
TREASURE, by Clive Cussler
PRELUDE TO FOUNDATION, by Issue

THE SHELL SEEKERS, by Rosemunds Pilcher
SCORPIUS, by John Gardner
QUINN'S BOOK, by William Kennedy .
TAPESTRY, by Belva Plain
IN'HERITANCE, by Judith Michael .... NONFICTION

FOR THE RECORD, by Donald T. Regan A BRIEF HISTORY OF TIME, by Sa-phen W. Hawking TALKING STRAIGHT, by Lee Income with Sonny Kleinfield TRUMP, by Donald J. Trump with Tony Schwartz Schwartz
MOONWALK, by Michael Jackson
RIDING THE IRON ROOSTER, by Paul THE RISE AND FALL OF THE GREAT

POWERS, by Paul Kennedy
WASHINGTON GOES TO WAR, by Dewid Brinkley
THRIVING ON CHAOS, by Tom Peters
CHAOS, by James Gleick
A TRAIL OF MEMORIES, edited by An-

11 A IRAIL OF MEMORIES, eated by Angelique L'Amour
12 1999, by Richard Nixon
13 FREUD, by Peter Gay
14 THE POWER GAME, by Hedrick Smith
15 ROBERT KENNEDY: In His Own
Words, edited by Edwin O. Guthman and
Jeffrey Shulman ADVICE, HOW-TO AND MISCELLANEOR THE 8-WEEK CHOLESTEROL CURE by Robert E. Kowalski
WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY
SWIM WITH THE SHARKS WITHOUT
BEING EATEN ALIVE, by Haney

Mackay WEBSTER'S NEW WORLD DICTIO-NARY
WHAT YOUR DOCTOR DIDN'T
LEARN IN MEDICAL SCHOOL, by See-

**BRIDGE** 

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### **SPORTS**

### **Iolland Gains Final,** eating W. Germany

MBURG - A late goal by 20 van Basten on Tuesday sent vetherlands into the final of 's European Championship a 2-1 triumph over West Gerending a 14-year wait for ge for Rinus Michels, the h manager. In Basten's strike in the 89th

te settled a thrilling semifinal the sides ince-illowing a scoreless first half, illowing a scoreless first half,

captain, put his team ahead the penalty spot in the 54th

tch defender Frank Rijkaard ripped Jürgen Klinsmann just the area and although Hans he could not stop it. e Dutch tied the score in the

minute on a penalty shot by was judged to have brought

a match seemed to be heading stra time when Van Basten. had scored three goals previin the tournament, scored the a with a minute remaining. Wouters threaded a pass

through the German defense and Van Basten, who missed a much easier chance near the end of the first half, rifled a low shot past Eike Immel, the West German goalie, from 12 meters (13 yards) out.

The result was the first Dutch victory over the West Germans since 1956.

One of the ten losses since then was in the 1974 World Cop final in Munich, when the West Germans triumphed, 2-1.

Michels was also the Dutch manager then. His current West German counterpart, Franz Beckenbauer, was the West German captain who lifted the trophy then. The result also means the Dutch

will return to Munich on Saturday to meet the winner of the other semifinal match between Italy and the Soviet Union on Wednesday in Stuttgart While the Dutch weaved neat

patterns across the field with their precision passing, the West Germans matched them for sheer hard work, aggression and speed.

Rund Gullit and Van Basten were closely marked by Uli Borowka and Kohler but frequently escaped from their captors to cause





Martina Navratilova easily won her 42d straight match Thursday at Wimbledon; John McEnroe, despite the grimace, won his first at the tournament since 1985.

### McEnroe's Return a Triumph; Navratilova, Graf Win Easily

By John Feinstein

هكذاصن الممل

LONDON - Three years later. Wimbledon's prodigal son returned. And, if there has ever been any doubt about the validity of the phrase "Absence makes the heart grow fonder," it evaporated at 2:59 P.M. Tuesday when John Patrick McEnroe formally came back to

Almost before he was out of the mmel leading onto court No. 1, the cheering began. It did not really surprise McEnroe, but it certainly pleased him. As he and Horst Skoff walked onto the court for their first-round match, McEnroe responded to the welcome with an appreciative wave and something approaching a smile. Skoff smiled, too, as if he appreciated sharing the

But he did not share it for very long. Getting stronger as the match progressed. McEnroe quickly disposed of Skoff, 6-1, 7-5, 6-1, making his return here a successful one and sparking the notion - even in McEnroe — that at 29 he still has a lot of good tennis left in him.

"The whole thing was nice," McEnroe said after the 103-minute match. "The fans were nice and I felt pretty good out there. I got ess for a while in the second set, but then I got the momentum back and I was okay. It feels good to be here again. I just hope I can do well. This will be a very good

The match was a highlight of a very busy second day at Wimbledon that was full of good tennis. Martina Navratilova and Steffi Graf were easy winners among the

The only men's seed to lose was Andrei Chesnokov of the Soviet Union. No. 14, who dropped a 7-5, 6-4, 6-4 decision to Udo Riglewski of West Germany. Given Chesnokov's dislike for this surface, though, the result was hardly stun-

The stunner of the day almost took place on court No. 13. No court on the grounds is further from the clubhouse and whenever Pam Shriver goes out there to play, she seems to think she should stay a while. In 1985, when Graf was only 16, Shriver needed three sets to

beat her on that court. Last year, she and Sylvia Hanika played a seemingly endless match there, Shriver saving two match points before winning 10-8 in the

Tuesday, Shriver trailed Dinky Van Rensburg 1-4, 30-40, in the third set and looked very much like she might be the first top player to lose here this year.

But Shriver dug in just in time, serve and a forehand voiley and fought back to win the match, 6-2, 4-6, 8-6. It took a little more than two hours and Shriver wore a look of relief rather than joy when it was finally over.

It could hardly have been easier scorer, more involved in the of-fense. Dantley, who was double-teamed and constantly harassed meet in the final. Graf needed 46 minutes to beat Hu Na of the Unitscore that she won the French Open final. Navratilova, starting her quest

teen-ager Alexia Dechaume, 6-1, 6-2, for her 87th victory.

The only seeded woman to exit Tuesday was 11th-seeded Claudia champion, and Jackie Cupit. Kohde-Kilsch, who was forced to withdraw from the tournament (No. 5), Helena Sukova (No. 6), Natalia Zvereva (No. 8), Hana

dropping a set. There was one major surprise on the men's side, but it did not involve a seed. Kevin Curren, the man who beat McEnroe in 1985 in his last appearance at Wimbledon and then went on to the final against Boris Becker, was beaten by

qualifier Ricardo Acuna. The men's seeds, other than Chesnokov, all moved on, led by Mats Wilander (No. 2) an easy straight-sets winner over Eduardo Masso and Jimmy Connors (No. 5) who, sore foot and all, beat Lei Shiras, a good grass court player, 6-

3, 7-6 (7-4), 6-1. Two other seeds, Jonas B. Svensson, a French Open semifinalist and Slobodan Zivojinovic also ad vanced with little trouble.

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Curtis Strange, when he sank a birdie putt on the 13 hole, took a two shot-lead over England's Nick Faldo at The Country Club.

### Strange Beats Faldo By 4 in Open Playoff

By Gordon S. White Jr.

New York Times Service BROOKLINE, Massachusetts - Curtis Strange, who never trailed Monday, beat Nick Faldo of England by four strokes in an 18-hole playoff for the 88th U.S. Open championship.

The 33-year-old Virginian scored par 71 on the 7,010-yard (6,402meter) course at The Country Club. Faldo, 31, the 1987 British Open champion, shot 75. They had finished the regulation 72 holes Sunday tied at six-under 282.

As he walked off the 18th green Strange met his wife, Sarah, with a big hug, lifting her off the ground. Then, trying to keep back the tears, he said: "I have to thank my dad. This is for my dad. I've been waiting a long time to do this. I screwed up

the '85 Masters, and this is for Dad." Tom Strange, a golf professional, taught his son the game before dying of cancer when Curtis was 12. There to welcome the new champion Monday was his twin brother, Alan.

In finally winning one of golf's four major professional championships. Strange gained his seventh victory in the last 11 months. It was also his third triumph in the last 80 days. Among his victories since last July were the Canadian Open, the Tuesday for Graf and Navratilova, World Series of Golf and the recent Memorial, all on difficult courses. He also beat the man some believe to be the world's best golfer, Greg Norman of Australia, in a playof

at the Houston Open on April 1. No other golfer playing the maior world circuits has won so much in the last year. This 28th playoff in U.S. Open

Open champion was a loser here as Evert, playing her 100th singles Francis Ouimet beat Ted Ray, the match at Wimbledon, beat French 1912 British champion, and Harry Vardon in 1913 and Julius Boros won the 1963 playoff by beating Arnold Palmer, the 1962 British Ever since Strange lost the lead

by hitting two shots into water on with an injury. Gabriela Sabatini the back nine at the end of the 1985 Masters, he has been suspected of being a man who falls short in the Mandlikova (No. 9), Lori McNeil big ones. But Monday, he and (No. 10) and Larissa Savchenko Faldo were the only two left from (No. 13) all won, with only Sukova the field of 156 that started this Open last week. And unlike many previous Opens, two of the best in

the game were in a playoff.
"This is the greatest thing I have

ever done," Strange said. "It was a heck of a tough day out there, and after the 17th hole" Sunday, which he had bogeyed to fall into a tie

have felt very bad if I didn't win." It came down to an American known for his intensity against an Englishman known as a plodder who can make par after par. Each parred the first hole with

that created the playoff, "I would

one putt, Faldo extricating himself from a bunker for the 4 and Strange coming out of deep rough, then

chipping close for par. Both missed the green on the second hole. Strange blasted free of a bunker for his par-3 and Faldo

chipped from the right collar for his. Then came the first break, when Strange scrambled out of deep rough and two-putted from 30 feet (9 meters) for par-4. Faldo drove the fairway, but hit his approach into a bunker. He couldn't get close and

two-putted from 20 feet for bogey. They tied at No. 4 when Strange got his first of three bo when he birdied No. 5 by hitting a magnificent approach six feet from the cup, he regained the lead and never lost it. He increased it over the testy back nine as he birdied 13 and got two bogeys while Faldo boseyed three of the last four holes. Said Strange: "We don't root

against each other in golf, but I looked at Nick a couple of times and didn't want him to win."

#### Tyson Bout Set At 12 Rounds

The Associated Pres TRENTON, New Jersey Next Monday's heavyweight title fight between Mike Tyson and Michael Spinks has been set at 12 rounds by the state of New Jersey, but the International Boxing Federation said Tuesday it still would strip Tyson of its crown because he won't agree to a 15-round bout. The New Jersey State Athlet-

ic Control Board ruled Monday that the fight in Atlantic City will be 12 rounds, and criticized the IBF along with the World Boxing Association and World Boxing Council for squabbling over the length.

#### rookens' Homer Against Yanks Puts Tigers in First riled by Our Staff From Dispatches to, Fred McGriff hit a two-run to six hits until Mark Davis re- Dodgers scored five runs on 10 hits

TROIT - Tom Brookens some Detroit fans forget the Pistons and Isiah Thomas while Monday night when he some run in the 10th inning to e Tigers into first place in the can League East with a 2-1

y over the New York Yankees. Yankees, who tied the score wo out in the minth, had led vision since May 3. an't say I ever hit a home run a game in the last inning Brookens said. "We had a hift lineup tonight, but it we have depth on this club." Tigers played without either jured Alan Trammell or Chet

n. But the Yankees were withmers Rickey Henderson, Wilndolph and Don Slaught. a playing without my regular nan, my regular catchmy regular center fielder and still there," said their managly Martin, "Twe got no com-

lier. Martin bad his first runh the Yankees' new general er, Bob Quinn, when he held n out of the lineup against

catcher, just off the 21-day ng for batting practice that he

vouldn't have taken him off "Martin said. "I don't take dy off until they tell me ≥ 100 percent. You can quote

Yankees had tied in the ninth ve Winfield's two-out double top of the fence in left. The tromed straight up off a pipe tck Clark, who had singled, as center fielder Gary Pettis . for the ball to come down. Robinson, one out from his straight shutout, had his of scoreless innings ended at allowed eight hits and struck in nine innings. Tommy John p seven hits, walked one and

out six in eight innings. Sox 14, Indians 7: In Cleve-Mike Greenwell hit two s and Jim Rice and Ellis each one as Boston handed isns' ace Greg Swindel, his usual smile, was sprawled on period Sunday when he single-han-straight loss. He allowed five the bed in his 10th-floor hotel dedly kept the Pistons in conten-

homer against Baltimore and Dave Stieb won his ninth straight.

Angels 6, Twins 5: In Minneapo-lis, Wally Joyner hit a three-run homer during a five-run eighth and California survived five errors to extend its winning streak to five, while ending the Twins' at five.

Athletics 5, Brewers 4: In Mil-

wankee, two-out doubles in the ninth by Stan Javier and pinchhitter Terry Steinbach gave Oakland its victory. Rangers 4, Mariners 3: In Ar-

lington, Texas, Jeff Kunkel hit a tying homer against Seattle and doubled in the winning run with one out in the bottom of the ninth.

deciding game of the National Bas-

Several hours before, Thomas,

on crutches and accompanied by Mike Abdenour, the team's trainer,

and Ben Paolucci, its physician, had gone to the Los Angeles Raid-

ers' training facility in El Segundo.

"Imagine cutting a grapefruit in

half and sticking it inside your an-

lar season, you'd say he would miss

the next 10 days to two weeks easy."

had been guarding Thomas.

about six miles away.

star point guard, Isiah Thomas.

BASEBALL ROUNDUP

Jeff Russell, with a four-hitter, improved to 7-0 and tied Jim Kern's

team record for best start. White Sox 5, Royals 3: In Chicago, Steve Lyons's two-run homer with one out in the bottom of the ninth gave Kansas City its fourth straight loss.

Padres 2, Giants 1: In the Na-

tional League, in San Francisco, singles in the third by Benito Santiago, Garry Templeton and Marvell Wynne — the only hits Mike La-Coss allowed in eight innings gave San Diego a 2-0 lead. Andy Hawkins held the Giants

Pistons' Thomas Doubts He Can Play

Compiled by Our Staff From Disputches machine, an icing unit designed to badly after the injury, he still man-

INGLEWOOD, California - reduce swelling. For some seven aged to make il more baskets,

Abdenour said that Monday the Tuesday night, and how much,

machine that is bigger and more NBA title or the Lakers became the

stable than the one I carry," he said. first team in 20 seasons to win

But Thomas, asked whether he plied: "I don't know. I've never

"After some icing, we'll try and get successive championships.

swelling is down, but the ankle is had commented Sunday night.

As the Detroit Pistons practiced hours, Abdenour carefully re- many while favoring the ankle, and

Monday at the Forum to get ready moved and re-inserted the ankle finished the game with 43 points.

football Raiders had offered the use

series, they did so without their all- of their facilities. "They have a Jobst whether the Pistons won their first

Later, Paolucci said that "the

very sore." He added: "You know

thought he would play, said, "I

said of the right ankle the team's has just about been made. Most of Lakers would have to become the

captain had sprained in the third the people who looked at it seem to first team in league history to take

quarter of Sunday's loss to the Los think there will not be a chance I the title by winning three straight seven-game series. It took the seven-game series. It took the seven-game series.

has gotten 128 points, 55 assists

Win or lose, for Thomas, who

After the game, Thomas also re- and 16 steals, this will be a long- the Western Conference semifinal

crived two stitches to close a cut on remembered series. First, a sore and the Dallas Mavericks in the

Thomas. Finally, there were those

his cheek, and one of his eyes was back sidelined him for three prac- conference final.

some motion exercises going.

Isiah. He's going to play."

for Tuesday night's seventh and into and out of the machine.

kle; that's what it's like," Abdenour doubt it. Right now the decision

half-shut. Those injuries came from tices. Then his wife, Lynn, gave the Lakers' Michael Cooper, who birth to their first son, Joshua Islah

Injured Ankle May Keep All-Star Guard From Title Game

lieved with one out and runners on second and third in the eighth. Dady Maldonado. In the ninth, Davis gave up an RBI single to Jose Uribe the eighth, helping the Expos end a but struck out Ernest Riles with two out and the bases loaded.

Pirates 8, Mets 5: In New York, Reds 2, Astros 1: In Houston,

Barry Larkin hit his first homer since May 5 and Tom Browning posted his fourth straight victory for Cincinnati, beating the Astros for the second time in five days.

Dodgers 7, Braves 3: In Los Angeles, Shawn Hillegas, summoned from Albuquerque of the Pacific Coast League, held Atlanta to three

How well Thomas could play-

would have a major bearing on

Nobody said winning a cham-

Asked if he had thought it would

be this difficult to win one, he re-

To accomplish their feat,

enth game home-court advantage

for them to beat the Utah Jazz in

Said Kareem Abdul-Jabbar, go-

table, winner take all."

piouship would be easy,"

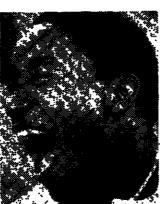
wan one before."

in the first four innings.

Expos 3, Cardinals 2: In Montrevis struck out Will Clark and Can- al, Andres Galarraga doubled home the winning run against St. Louis in

pitcher Bobby Ojeda threw Jose Lind's bunt attempt into right field to allow two runs to score in the seventh, when Pittsburgh scored six times on eight singles.
Cubs 7, Phillies 2: In Philadel-

phia, Andre Dawson drove in two of four runs in the sixth and Shawon Dunston hit a two-run homer as Chicago won its fifth



Isiah Thomas: On crutches.

Sunday, took only 10 shots: he made 3 and scored 14 points. In the ed States, 6-0, 6-0, winning her first two other series games in which match at Wimbledon by the same Dantley was held under 20 points, the Lakers also won.

A similar observation could be made about James Worthy, the for a seventh straight singles title, listory was the third in the three Lakers small forward, who has won her 42d straight Wimbledon Opens at The Country Club. In been matched against Dantley. In match, romping past Sabrina the three games the Lakers lost, Goles, 6-1, 6-2.

This 25th playor in O.S. Open history was the third in the three opens at The Country Club. In match, romping past Sabrina open champion was a loser here as Worthy scored 19, 7 and 14 points; in the three theys won, he scored 26, 24 and 28.

ing for his sixth championship in 19 years in the NBA: "It's the ultimate "Could I see us winning it without Isiah?" said the Pistons' coach. type challenge — everything on the Chuck Daly, "I could see it being a very difficult problem for us just staying in the game." (NYT, WP, LAT)

#### Allison Badly Hurt In Crash at Pocono

ALLENTOWN, Pennsylvania -Champion race car driver Bobby Allison was "semiconscious and responding to verbal commands? Monday after suffering a bruised heart and fractures in a crash at the Miller High Life 500 at Pocono

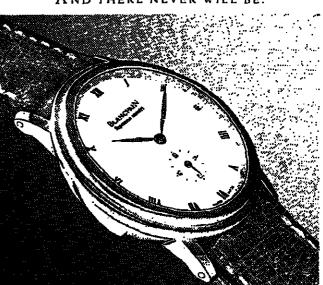
NASCAR spokesman Andy Hall said the 50-year-old driver from Hueytown, Alabama, re-mained in critical but stable condition at Lehigh Valley Hospital. He was unconscious for several hours following Sunday's crash.

International Raceway.

tire blew, throwing Allison's car into an outside wall. It then rico-

### BLANCPAIN

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#### OREBOARD

nobek

av Mecir (1), Czechoslovakia, def. Morana Mexica, 7-6 (7-3), 7-6 (7-3), 6-Berger, U.S., def. Fernanda Luna. 1, 7-4 (8-4), 8-0; Magnus Gustafsson, 1, 7-6 (8-4), 8-0; Magnus Gustafsson, 16-f, Torik Benhabiles, France, 6-3, 6-1c Jeles, West Germany, def. Gilod Frank-6-3, 3-4, 6-4, 6-1; Keity Evernden, 1, 190d. def. Lecono Botton, Ernane, 7-4 and del. Jerome Potier, France, 7-4-2; Johas Svensson (12), Sweden Wilkison, U.S. +1, 7-6 (8-4), +3. on Zivolinavic (16), Yugoslavia, def. de la Petta, Arsenitan, 5-7, 7-6 (7-4), 6-4 (7-4), 6-4 (7-4), 6-4 (7-4), 6-4 (7-4), 6-4 (7-4), 8-4 (7-4),

FIRST ROUND

Vest Germany, def. Andrel Chesno let Union, 7-5, 6-4, 6-4. o Acuno. Chile, def. Kevin Curren. Inris Prighom, Conede, del. Gustav South Africa 6-2 6-4 6-4: Mots Wi-3. Sweden, del. Eduardo Masse, Ar--3.6-4.7-6 (7-4); David Pale, U.S., def. 6.6-4.7-5; Ken Floch, U.S., def. Peles

Peru,6-7 (5-7),6-4,6-4,4-6,6-2: Jimmy Connors (5), U.S., del. Lelf Shiras, U.S., 6-3,7-6 (7-4),6-1; Karel Novacek, Crechoslovakia, del. Peter Lindgren, Sweden, 6-2, 6-4, 7-6 (7-3); Tore Meinecke, West Germony, del, Richard Whichella, Britain, 5-7, 7-6 (7-3), 7-5, 6-2, John Ross, U.S., del, Peulo Cone, Italy,6-7 (3-7), 6-2, 6-1, 7-6, 6-1; Glenn Michibato, Cunada, del, Andrew Costle, Britain, 6-4, 7-5, 6-4. Lori McNell (10), U.S. def. Nicole Provis. Australia, 6-3, 7-5; Elly Nokumi, U.S. def. Kotiny Horvath, U.S., 6-4, 6-1; Louise Field. Australia, def. Eva Ploff, Wast Germany, 7-5. 6-3; Melisza Gurney, U.S., def. Amar feld, Britain, 6-4, 7-5; Catherine France, def. Pot Medrado, Brazil. 42, 6-1: Martine Nevrotilova (2). U.S., def. Sebrina Goles, Yugoslövia, 6-1, 6-2. Stwitt Grott (1). West Germany, def. Hu No., U.S., 6-0: Sweltono Porthomenka, Soviet Union, def. Jill Hetherington, Concolo, 4-4, 6-4, 6-3; Port Suriver (3), U.S., def. Dinky Ven Rous-sura, South Africa, 4-2, 4-4, 8-4; Gobrielo Sabofi-ni (5), Argentina, def. Corlino Sepaso, Conoda, 6-2, 4-2; Suson Sloone, U.S., def. Teresa Catila, Britoin, 6-1, 6-1; Koren Schimper, South Africa,

n 13) Argental, Grt. Can in Season School, 62, 6-2; Suson School, U.S., del. Tereso Catilin, Britoin, 6-2, 6-1; Koren Schimper, South Africo, del. Karen Humer, Britoin, 6-3, 6-2; Karine Quentree, France, det. Julie Hotord, France, 7-4 (7-3), 6-1; Liso G'Neil, Australia, del. Claudio Porvitt, West Germany, 7-5, 6-4; Hester Witvoel, Netherlands, def. Michelle Joppord, Australia, 6-2, 6-2; Massito Yanosi, Jason, def. Barbara Gerkan, U.S., 6-4, 6-1; Notolio Zvereva (8), Soviet Union, def. Ronni Rets, U.S., 6-2, 6-3; Ann Herricksson, U.S., def. Beth Herr. U.S., 6-2, 6-2; Ann Herricksson, U.S., def. Beth Herr. U.S., 6-2, 6-2; Ann Herricksson, U.S., def. Conts. Evert (4), U.S., def. Alexio Deschaume, France, def. Jenys Byrine, Australia, 6-2, 6-2; Stephanie Reb., U.S., def. Cymerine Suira, France, 6-3, 6-4; Christiane Jolissonto, Switzerland, def. Ling Georges, Australia, 6-7, 2-3), 6-6, 6-3.

Rehe, U.S., def. Coffnerine Suire, Fronce, 4-3, 5-7, 4-4: Christiane Jolissohn, Switzerland, def. Lisa Gregory, Australia, 6-7 (3-7), 6-4, 6-3, Gretchen Magers, U.S., def. Helen Keleti, Canada, 7-6 (7-3), 3-6, 7-5; Eligabeth Minter, Australia, def. Arny Frazier, U.S., 7-5, 4-4; Hono Mondilikawa (9). Caechaelovakia, def. Loura Garrone, Italy, 6-3, 7-5; Gigi Fernandez, U.S., def. Brendt Schultz, Nelharianda, 2-6, 4-6. Sina Reinach, South Africa, def. Catarina Lindaylat, Sweden, 7-6 (7-3), 6-4; Ras. Feltbonk, U.S., def. Mory Lou Denlets, U.S., 6-2-6-1, Neleno, Sukaya (6). Czechoslovakia, def. bank, U.S. det. Mary Lau Daniels, U.S. 4-2.41.

Melena Sukaya (d). Czechoslovskia, del.
Isabette Domongool, Franca. 7-5, 1- 6. 4-2;
Mary Joe Fernandez (15). U.S. del. Micole
Josseman, Netherlands, 6-1, 6-2; knitcole
Josseman, Netherlands, 6-1, 6-2; transa.

Budarova, Czechoslovskia, del. Shoun Statord, U.S., 7-6 (7-5), 6-3; Iwane Kuzynska,
Poland, del. Betsy Nopelsen, U.S. 5-7, 6-1, 6-3;
Jo-Anne Fault, Australia, del. Maria Lindsstrom, Sweden, 7-6 (7-5), 6-3.

#### BASEBALL

Monday's Major League Line Scores

WWEKICHU LENGUE		
	Besion 94	5 863 33414 27
	Cleveland 80	1 186 586 7 13
	Hurst, Lamp (7) and Cer	one; Swindell, De
	mon (3), Schotzeder (6)	and Allenson, W
	Hurst, 9-3. L—Swindell,	10-5. HR Bosto
	Greenwell 2 (11), Burks (	7), Rice (3), Clev
	land, Kittle (10), Snyder	(15).
	Baltimore (K	N 016 508-2 6
	Teresto 3	<b>12 5−42 2000 1</b>
	Boddicker, Acse (8) on	d Kannady; Sile
	Ward (7), Henks (9) and W	hill. <del>W</del> -Sheb. 10

Bottimore:
(14),
New York 600 800 vs.
Detroit 610 800 800 1--2 s
John, Guarde (9) and Skinner; Robinson,
Henneman (10), Hernandez (10) and Notes,
let W—Hernandez, 5-2, L—Guante, 4-3, HR—Detroit, Brookers (4),

**Major League Standings** 

NATIONAL LEAGUE

Montreal DeLegn, Do Mayer, Lancaster (9) and Davis; Ruffin Harris (6).Magre (9) and Parrish, W.—Mover 47. L.—Ruffin, 44. HRs—Chicago, Dunster Browning, Franco (8) and McGriff; De shakes, Agosto (9) and Trevino. W—Browning 6-1. L—Deshales, 4-5. Sv—Franco (9). HRS-Cincinnoti, Lerkin (6). Heustin, Soss (6).
Attente 900 not 612—3 10 1
Let Angeles 201 220 825—7 14 1
Glovine, Eichelberser (4). Pulso (7) and
Benedici: Hillegas, Pens (9) and Demosey.
W—Hillegas, Pel. L—Glavins, 3-8. Sv—Pens
(5). Hillegas, Pelson (7). 557 529 485 485 485 21/2 51/2 51/2 51/2 51/2 141/2

Welch, Nelson (6), Codoret (7), Plunk (7),

960 661 632-6 12 619 608 613-5 7

Langaton, Schooler (8) and Brudley; Russell and Stanley, W.—Russell, F.A.L.—Schooler; into an outside wall. It ob. H. RRD.—Seattle, Dovis (72). Tekens, Kunkel (1), Sterra (11).

NATIONAL LEAGUE 7 00 000 180—2 7 0 800 818 022:--3 5 1 Montried Delegan, Doyley (8), Worrell (8) and Peng: Youmans, Parnett (9) and Santovenia, W— Yournans, 3-6.L—Doyley, 1-5.5v—Parnett (5), Plitisburysh 802 806 688—8 13 8 New York 808 380 628—5 9 2 Smiley, Janes (?) and LaVailiers; Olet Leach (7), Waiter (7), Aguillers (8) and Cor-ter. W—Smiley, 7-4. L—Oledo, 5-6. Sv—Robin-son (8), HRS—New York, Strowberry (17),

The Pistons would need more room, his badly swollen ankle intion, scoring a championshipthan Thomas. They would need to serted into the sleeve of a Jobst round record 25 points. Limping get Adrian Dantley, their leading

Petry, Corbett (a), Moore (7), Narvey (9) and Boone: Anderson, Atherton (8), Best (8) and Horper, W—Moore, 3-2, L—Anderson, 4-4, HR—Collitornic, Joyner (4).

The accident occurred when a

Page 22

### Hang the Drug Users

By Russell Baker N EW YORK — The intracta-ble nature of our narcotics problem may be gauged from the absurdity of the ideas being ad-

vanced to end it. The Congress is naturally enthusiastic about the death penalty. In election years, the death penalty is always a big favorite among office seekers. Years ago when New York City was in a terrible financial pickle, Ed Koch campaigned for mayor by endorsing the death pen-

alty, among other things.

How this might refill the city's empty treasury was unclear. Did Koch intend to execute all those New Yorkers who were swindling the city out of its tax income by claiming residence in their Long Island summer houses? Nobody ever asked because Koch was obviously just grandstanding with the ever popular death-penalty solution. Didn't everybody know that? Didn't everybody know the mayor of New York had nothing to do

with death warrants? How the death penalty might end the country's extensive drug addiction is no clearer, but as Koch's campaign proved again, it doesn't hurt a politician to talk as ferocionsly as an Old Testament prophet, and the voters seem to like it, and anyhow, nobody else has any idea either how to solve the narcotics problem.

Why the death-penalty solution doesn't solve anything is an inter-esting question. People who believe in it despite its unimpressive performance say it's because it isn't applied freely enough. I suggest, on the other hand, that it doesn't work because it isn't applied to the right

If Koch had actually started hanging the city's tax evaders who claimed residence on Long Island, the city's revenue would surely have jumped immediately. Why? Because people canny enough to those monstrous drugs up our work a tax dodge are too smart to noses, into our veins, down our keep at it once they see that it may be the death of them. Better taxed

than dead. The death penalty is never applied, however, to people whose punishment might produce wholesome civic effect. Those commonly executed are violent, uneducated psychopaths whose crimes hint at insanity and/or profound stupid-ity. Such people are incapable of drawing sensible conclusions from

hanged. Hence, capital punishment can have no deterrent effect on

Most drug criminals are in this benighted category. Theirs is the mentality that sees the execution of another criminal as a happy opportunity to take over his business.

The only way the death penalty might possibly help end the ro-mance with narcotics is by apply-ing it to the people who use the stuff. Everyone is tired of hearing that the cause of America's drug problem is the American consum er. The most tiresome truths are always the ones we'd rather not hear. Still, until the big, rich American market loses its taste for drugs. there will always be psychopaths who are eager to exploit that mar-

normal people. In short, hanging the suppliers can do nothing to break the addic-tion. Hanging the users just might, since most people who use the stuff are more rational than the warped personalities who supply it. Deterrence can work only if the people to

ket and numb to risks that deter

be deterred have good sense. I callously propose the death penalty for users only because I am confident it absolutely never, under any circumstances, will be adopted. The reason is the same reason that drunks caught driving are never sent to jail until they kill.

As with drunk driving, nobody really wants to strike at the party creating the drug problem. It might be your neighbor, your child, your-self. Better to finesse the question of responsibility, cluck about the horror of it all, and blame it on the incorrigible Latino black hats.

So let's all talk nonsense, and while we're at it, let's hang the black hats, too. Coming up here from Latin America and forcing gullets -- rope is too good for them.

Shabby? Phony? Sure, but what do you expect? When there's nothing you can do about a problem except wish it didn't exist and hope it'll just go away one of these days, you've still got to get re-elected, don't you?

Hey! Let's use the army! Let's defoliate Pera! This is serious! It's re-election time! New York Times Service

### Calypso: 'It's an Educational Thing'

By Mike Zwerin International Herald Tribune

PARIS — Meet Mighty Sparrow, King of Kings.

He follows a long and distinguished line of royalty including Lord Kitchener, Mighty Terror, Lord Hannibal, Lord Melody, King Fighter and Attila the Hun. But there was no red carpet or 21-gun salute when His Calypsonian Highness arrived for his first appearance in Paris earlier this

And forget the Crillon or the Ritz. He was checked into a pale pile of concrete cells on the wrong side of the beltway. His house has not traveled well.

But he holds his head high with the pride

of someone who must earn the right to rule a meritocracy. He had successfully defended his own crown against all comers a week earlier, on May 28. He smiles like someone who wears a crown studded with smiles: "Now I send all them others back to the drawing boards to see if they can catch me next time around."

Every three years, calypso singers get together in their native Trinidad and Tobago to prove supremacy among themselves and the audience. They compete in song-writing, interpretation, presentation, rele-vancy, improvisation. They are whittled down from more than 100 and then the king of kings is crowned, in what's known as a "cutting session."

The Roaring Lion traces calypso's roots back to the 15th-century French poet and balladeer François Villon. Eric Williams, prime minister of Trinidad and Tobago from 1961 to 1981, described it as "the use of song to comment on current happen-ings, to phrase social criticism, to convey innuendo." When V.S. Naipaul wrote, "It is only in the calypso that the Trinidadian touches reality," he was trying to correct the impression that his people escape reality through carnival and calypso.

Once upon a time when there were no ghetto-blasters or satellite dishes and only the rich were taught to read, calypso was the vehicle to get the news of the people to the people of Trinidad. Calypsonians served the same function as African griots and European troubadours, carrying news from village to village through song and verse. "The Calypsonian would delve into the happenings of society," says Sparrow. "He would recount good deeds, tell what the evil people were doing, what the big shots were up to."

Mighty Sparrow claims to have been born Slinger Francisco, which sounds too good to be true, like a double Calypsonian twist. But don't forget he is King of Kings. more than mere embodiment. In any case, in his presence, you never doubt his credentials — African ancestry, a natural sto-



litical awareness, sense of irony and

"But you journalists have put us story-tellers out of business," Mighty Sparrow complains. "You have the media, you don't have to worry about singing and rhyming, you are everywhere. We can no longer get peoples' attention. Calypso cannot be enjoyed properly if you don't pay close atten-tion. We used to extempo [improvise], it was a highly developed form. But now I sit here and say, The gentleman with the hand on his face, this is what I'm tellin' you in this place, I've been lookin' at you all the while, and I love the way you flash your smile,' and you're looking out of the corner of your eye at that screen over there watching John McEnroe behave badly on the tennis court

"People don't want stories any more, popular music is all about rhythm. They isten to those pretty rock boys sing Hey baby, oh my baby and shake their butts. So the young Calypsonians in the Caribbean started to compete, playing for dancing

ryteller with a Caribbean lilt, cultured, po- too. But at the same time I'm not forgetting lyrical value. It's always been an educaional thing. Calypso was never meant to be only entertainment. Somehow I feel very uncomfortable when I don't have a sage to give the people."

ample. When the University of the West I waina bite them young ladies, pardner Indies awarded him an honorary doctorate, he says he felt "very proud." But then But if you're skinny don't be in fright. There's only fat women I'm goma bite." flashing their medals and pompous people treasuring important titles.

He then wrote a song "with a little hu-mor in it" which for some reason he could never fathom was also banned: "It was about a woman hypochondriac who keeps coming to me, she thinks I'm a gynecologist. I tell her I'm not that kind of doctor.

She keeps crying about all sorts of imagined illnesses. She says 'Dr. this, Dr. that.'

ago, so people took to calling me Little Sparrow. Everybody else had these ferocious names — Executor, Panther, The She wants a hysterectomy, a mastectomy and even a hemorrhoidectomy. So there I was just trying to live life with a light heart kill me. So I figured if I had to be stuck and they banned that."

This is a good place to point out that Sparrow."

FOR SALE.

Sparrow is living life in Queens, New York because "that's where the management is," and that Lord Kitchener lived in London for something like 17 years. Still, discounting some discountable Andrews Sisters ("Rum and Coca Cola") and Harry Bela-fonte spin-offs, the Calypsonian message has not spread like reggae.

"Calypso is still identified almost exchisively with the land of its birth," explains Sparrow, "Though it has spread around to other Caribbean islands [after the American invasion, Sparrow sang, 'I want to go back to Grenada, to teach the Cubans how to fight'], it never got a Jamaican identity. They had their blue beat, they had ska, they had rock steady. None of them held on. So when they found reggae, every Jamaican became an unofficial ambassador. They had good organization and they put big money behind it. The people from Calypsoland had been blessed with ransic of their own for 100 years. They took it for granted. They saw no reason to be over-protective. They jumped on the reggae bandwagon

Like calypso, reggae has a message but tends to hit you on the head with it — "Legalize it," "Blow It Up." On the otherhand, Invader - one of Sparrow's prime influences — wrote a song about how U.S. soldiers stationed on Trinidad during World War II lured their women away with shiny things; about a man whose lady would dress up to kill in the evening, kiss him on the check before leaving and say: Til be back in the morning.

And Spoiler turned the metaphysical into a bedroom farce:

"I heard when you die after burial You have to come back as an insect or an

Awkward messages from Mighty Sparrow have been banned by Trinidadian radio and television — "Capitalism Gone
Mad" and "Invade South Africa," for ex
But not me, I want to be a bedbug. I wanna bite them young ladies, pardner, Which brings up a final question. How

can a sparrow be "Mighty? "We get our names as we go along, pretty much like wrestlers. When I first started I used to jump around the stage a lot, like James Brown but before James Brown. I was skinny then, that was 34 years cious names — Executor, Panther, The Introder. And there I was this little sparrow in between them. They were going to with Sparrow I was going to be a Mighty

PEOPLE

American Will Become **Balli**ol College Master Barack Blumberg, a Nobel Prize-

Baruch Hamberg, a Nobel Prize-winning professor of medicine and anthropology at the University of Pennsylvania will become master of Balliol College at Oxford Uni-versity. Blumberg received a doc-torate in biochemistry in 1955 from Balliol and taught there as a visit-ing professor in 1983-4. In 1976, he won a Nobel Prize in physiology and medicine for his work on seand medicine for his work on serum hepatitus. Blumberg will take over the post next year when the present master, Anthony Kenny, steps down, said a Balliol official. Americans currently are masters of three of Oxford's other 34 colleges. 

An American scholar says that an unsigned and untitled story written in 1857 and published in Household Words, the weekly journal edited by Charles Dickens to nine years, was written by Dickens himself. Professor Harry Stone of California State University at Northridge says the story, which he has named "The Bride's Chamber," is important because it shows how Dickens put the most intimat facts of his own life into the lives of his fictional characters. Letters from Dickens and other contempo rary evidence helped him reach the conclusion that Dickens wrote the story. Stone said. "The story reveals a great deal about Dickens's extramanial yearning." Stone said, in particular how he fell head over heels in love with an 18-year-old actress, Ellen Lawless Terran, who retired from the stage two years later and who remained his mis-tress until his death. In the story, the name Ellen is used for the character of the young woman. □

A British businessman in New York has given \$6.5 million to bu American art for the Tate Galler in London. The anonymous gif will be invested and the incom used for purchasing, according to Sir Alsu Bowness, director of the Tate, which has the most important collection of American 20th-centu ry art of any museum outside the United States, including major works by Jackson Pollock, Mark. Rothko, Willem de Kooning, Bar-mett Newman, Andy Warbol and, Roy Lichteustein. "We have a good collection of American abstract expressionism but we have nothing by Edward Hopper or Georgia O'Keele, for instance," said Bow-

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